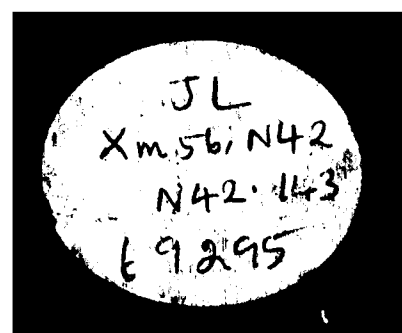




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The Battle and the Breeze

AT the time of writing the debate on Libya has not ended; and the critical battle for Egypt is reaching its climax. There was never any doubt that, while strong words would be spoken in the debate, the Government would win overwhelmingly in a division. There was a strong feeling in every part of the House that the debate should not have been on a vote of censure, that the inquest should have been upon the war, not upon personalities. The belligerent approach of the critics caused the Government speeches—both in the Commons and in the Lords, where a shadow debate has been proceeding—to take on the old, unhelpful form of apologia. Mr Lyttelton claimed, alternatively, that dive-bombers were of little use and that plenty would be forthcoming; that the Army's equipment in Libya was good enough and that, if it was not, the reason was that time could not be spared in the months after Dunkirk to put new types into production. He seemed to overlook that the Libyan army was generally supposed, by authoritative statements, to be as well equipped as the enemy and was being given priority in the latest tanks and anti-tank guns. Lord Beaverbrook, who took the Government under his wing in the Lords, would scarcely admit any deficiencies at all. He, in turn, seemed to overlook the fact that the battle in Libya had been soundly lost. But the state of opinion in Parliament mirrors the state of public opinion. Surprise, bewilderment and even alarm were wide-

spread; but the wish to hit out indiscriminately against Mr Churchill and his colleagues has always been confined to a petulant few. It is success in battle that is called for, not success in the division lobbies.

There is no lack of confidence in the eventual outcome of the war. A friendly Swede recently sought to explain why bad news about Britain depressed his countrymen more than it did the British. He concluded that the reason was that the thought of defeat never once entered British heads. The sober statement on war prospects put out by Mr Churchill and Mr Roosevelt at the end of their latest conversations did not disguise the many present disadvantages, but it left no room for doubt about the result, if the right means and methods can be contrived to transport and deploy the apparatus of victory and to use it rightly in battle. The position is better than it was in August or December last year because of the present flood of arms from belligerent America and because of Russia's successful fight. No working alliance was achieved in the last war at all equal to the combination of two great industrial powers which the President and the Prime Minister have brought about.

This is a crisis of self-confidence. There is a deep sense of disappointment at the repeated failures of British arms. The knowledge that British fighting men have never been more willing, more courageous, or, man for man, a better match for their enemy, only makes this disappoint-

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ment more bitter. This mood of frustration, which affects both soldiers and civilians, can be dangerous. It makes men cynical. A plain sign has been given that there must be no more bungling, now that the makers of strategy have the material means of victory almost within their grasp, if they do not wish to see the spiritual means—the dogged undoubted endurance which saved Britain and the world two years ago—deprived of its edge.

Full confidence can only be restored by success in battle. Crisis debates have never failed to do good in this war; the first, in May, 1940, gave the country Mr Churchill as leader; the most recent, in February this year, led to the appointment of a Minister of Production. This time, if there is to be a similar tangible gain, it must be in the field of strategy. Logic may say that the Prime Minister and the Minister of Defence should be separate persons; but the facts probably speak otherwise. Mr Churchill must be taken as he is—or rather as he has grown to be after a lifetime of rich and varied experience not unconnected with arms. But the major strategic and tactical problem, which underlies every current anxiety—that is, the most effective use of air power—must be solved; and the responsibility rests upon Mr. Churchill, who will stand or fall in history by his success in solving it. What but air-power, properly used, gave the Japanese the freedom of the Eastern seas for three crucial months? What but air-power, properly used, has now set a limit to their expansion eastward? What but air-power, properly used, has pegged down the Mediterranean fleet, so that Rommel has been able to race from port to port along hundreds of miles of African coastline? Over the Libyan and Egyptian land-fighting the Allies have had air superiority; but they have not been able to employ air-power decisively. It is unfortunate that one motion put down in this week's debate, by two Service Members, calling for a genuine combined command of all arms, could not be taken. It is almost fantastic evidence of the "co-ordination" that has hitherto prevailed that the Secretary of State for War should be able to say, as Sir James Grigg did on Tuesday—after nearly three years of war—that discussions on the "general subject" of dive-bombers are going on between the War Office and the Air Ministry.

Three gaps have still to be filled. First, a combined command is needed at the top, with a single commander in place of the present federal arrangements by which three independent Service chiefs decide the day-to-day conduct of the war. This view of the Defence Forces as a single Service must be carried into output programmes, so that the air weapon is made available in the right kinds as well as the right quantities and so that its decisive contribution is never absent in any land or sea actions. Lower down in the hierarchy of arms, similar combined commands are needed at the head of every large operational unit, so that every battle is thought out and waged in all elements at once.

Secondly, the design of weapons of all kinds must be

placed on the same high level of authority as their use in operations and their manufacture. Both strategy and production are War Cabinet matters; design, until now, has not been. In a letter to the *Times* this week, Professor A. V. Hill put the point neatly:

For all operations, planning has been centralised in the Chiefs of Staff organisation; for supply, in the Minister of Production. The third member of the trinity, dealing with research, design and development, and quantitative planning of the use of technical resources, is altogether unrepresented at the highest level. Events in North Africa have proved amply that it is of little use for the factories of the United Nations to produce vast quantities of weapons unless the weapons produced are of the right kind. The most important aspect of the integration that is now taking place in British and American output programmes is the opportunity which it gives to concentrate on the best types of weapons.

But even to have the right kind of weapons in the right quantities is not enough. They must be moved to the right places, and they must be used in battle with the proper skill. The creation of combined commands, with a genuinely three-Service outlook, may produce battle leaders with the right methods as well as the right means. But a third gap will persist; the major task will still be to overcome the obstacles of time and space which impede the operations of the wide-flung Allies on their many fronts. It is imperative that supply, strategy and design should all three be linked still more closely to the factors of distance and transportation which make every weapon useless that cannot be moved into the front line. This fundamental disadvantage was placed foremost in the recent joint statement by Mr Churchill and Mr Roosevelt. There is no easy solution. Shipping losses, now perilously high, may be cut down. Shipping output may be raised to its peak. But geographical distances cannot be physically shortened. They can only be eased by carrying the pooling of all kinds of Allied resources to an extent far beyond that to which it has already been taken, so that national or political considerations are given little or no weight at all in the distribution of men and supplies between all the theatres of war. The single criterion should be to save time and distance.

The battle in Africa is still raging; but the breeze in Parliament has abated. If, as a result of these cries and counter-cries, the shortcomings in the British way of war are remedied, success may again be snatched out of the bitterness of defeat. The war is near the end of its third year and the beginning of its fourth. With audacity in decision, efficiency in planning and skill in combat, the war must be won. Without them, disasters will still lurk round every corner, and even the people of this island, who have endured for so long and so well, will grow sick at heart. This is the real challenge to Mr. Churchill. Rightly the Prime Minister has turned and rent the "profiteers from disaster." But only his policy can put matters right.

Middle Eastern Front

IN an article in *The Economist* of February 7th this year, an attempt was made to forecast the shape of Hitler's summer offensive. Arguing that the Germans can no longer expect to win outright and must therefore play hard for a stalemate, it was suggested that the heaviest blow might not fall in Russia—"Hitler cannot win Victory in Russia"—and that the summer campaigns might be spent in rounding off the defences of the citadel of Europe. To the south, in the Mediterranean, the doors were still open. Here, in North Africa, the job of insuring against reinvasion might be the first call on German arms in 1942. Moreover

complete control in North Africa, coupled with a thrust through Turkey, might give Germany control of the Middle East, solve the oil problem, and open a new front on Russia's vulnerable flank.

It begins to look as though this forecast of strategy may have some basis. Libya has fallen. Egypt is in very grave danger with the fighting surging forward to the banks of the Nile, and if the German broadcasts to the Middle East in the last weeks are any guide, Rommel's lightning advance is intended to carry him on across the Canal to strike at the oil-bearing lands beyond. The weight of the reinforcements which have been conveyed across the Mediterranean under cover of the Malta bombings suggests preparations for a long and fierce campaign. The garrison of Crete has not yet been brought into play. The booty taken at Tobruk makes the mounting of a big offensive easier and, now that Rommel has broken out of the dead land between Benghazi and Sidi Barrani, supply is no longer an insuperable obstacle. In the perpetual see-saw between Benghazi and Sollum, the

Germans have at last exploited the advantage that the howling desert comes to an end sooner in Egypt than in Tripoli.

The strategy of Middle Eastern conquest does not of course preclude bitter fighting in Russia, particularly on the fronts below Moscow. Even if the strategists' picture in the past—of the Caucasus as a stepping-stone to Middle Eastern oil—may have to be redrawn to make the Middle East the stepping-stone to the oil both of the Caucasus and of Perm, a strong thrust round the Black Sea, parallel with the advance through Egypt, is almost certain.

The defence of this wide area from the Nile and the Bosphorus to the frontiers of Afghanistan falls primarily on British, Russian and Free French arms. It may be that some American reinforcements have arrived—unconfirmed reports spoke recently of the landing of 20,000 at Basra. There may be some support from the local armies if the enemy actually reaches their territory—but the analogy of Egypt is so far not very encouraging. The trouble is that, if the fighting moves forward to the frontiers of Syria, Iraq or Persia, the Allied armies will be defeated armies, and there is little guarantee that any of the Middle Eastern states would throw in its lot with a possible loser. The national armies—in particular those of Turkey, Egypt and Iraq—have been equipped with British and American war material under Lend-Lease; but political considerations, not technical convenience, will decide the issue.

It is useless to pretend that the political omens are very favourable. True, there have been a number of improvements—there is not a Middle East state in which, on the whole, the political situation is not better than it was just over a year ago. The changes of Ministry in Persia, Iraq, Syria and Egypt have in each case brought in more popular and stable governments. M. Soheily in Iran is upholding the treaties and has political solidity in that he is the direct choice of the Majlis—the Persian Commons. General Nuri-es-Said in Iraq is an old friend of Britain. The reconstruction in Syria brought Husni Al-Barazi, a former member of the National bloc, to power, a change which has done something to reconcile the Syrian extremists. The government of Nahas Pasha in Egypt is pro-Ally and firmly based on a big majority in the Chamber and on wide popular support.

All governments have taken firm steps to deal with Axis agents, local fifth columnists, and even to check the inveterate rumour-mongering of the bazaars and clubs. In the sphere of economics, too, there is progress to report. All the states have experienced very serious food problems, which have been due in part to the dislocations of last year, in part to the collapse of foreign trade, but to an overwhelming extent to the hoarding and black marketing of local dealers. The scandal of high prices and hoarded stores was bad enough to bring down the Faroughi Ministry in Persia in March. The British authorities have given a good deal of direct and indirect

assistance to meet the crisis; in particular they have arranged for the import of grain throughout the Middle East. German propaganda has tried to minimise this assistance by blaming the armies of occupation for cornering supplies and forcing up prices. The rumours proved so successful in Iraq and Persia that official denials had to be issued. For the time, the food crisis has passed. Syria and Lebanon have produced double their needs. Turkey reports a good harvest; so does Iraq, and Palestine expects a bumper crop. Unfortunately, this economic improvement is not an unmitigated political advantage. The Germans cannot, or rather do not, feed their subject peoples. Greece is near enough to be a horrid object lesson. The Allies have pumped in food supplies and, if the local governments have taken the credit, they know that nothing has a more unbalancing effect on their political careers than recurrent and irremediable bread riots. But if the barns are filled, fear of Germany grows less. It is illogical, for the Germans loot as well as neglect their victims, but it affects the political situation nevertheless.

The fundamental weakness in the position of the United Nations in the Middle East is the success of Germany's arms. In every country, there is a fifth column, in every country active Axis agents. If things are going well for the Germans, they expand their incessant propaganda and embark on political action. When things go less well, the orchestra of lies and rumours subsides, and the underground men go back to their burrows. The seriousness of the fifth column is illustrated by its hold on every class and, astonishing though it may seem, on every race. One of the chief Axis agents in Palestine, Abraham Stern, who was shot early this year, was a Jew trained to Fascism in Italy. In Iraq, former Ministers have been shot or interned. In Persia, recently six leading citizens, including, significantly enough, the head of the largest Persian tourist agency, were banished. In Egypt, Ali Maher, an ex-Prime Minister, is under arrest. Military circles are disaffected; the peasants are caught by tales of hoarding and looting armies of occupation; the *effendi* class by the promise of advancement. All this would subside to nothing if the United Nations were winning, not in the "overall picture," but here and now in the Middle East. As it is, Axis agents based on the German Embassy and consulates in Turkey, come and go, leaving a trail of lies, rumours, discontent and sedition behind.

In the Middle East, the political situation is thus just as good or as bad as the military situation. What the British and Free French have been able to do in the way of managing national susceptibilities and minimising economic difficulties, they have done. Now they must win battles. It is probably still true that the Middle Eastern campaign has in the very long run a defensive purpose for the enemy—to make the reconquest of Germany's empire so long, so tedious and so expensive that the United Nations will abandon the attempt. But

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if it were wildly successful, if a junction were effectively established with the Japanese, if a combined blow northwards round the Caspian and westwards from Siberia broke Russia's resistance, surrounded India, and gave over the great land mass of Eurasia to the totalitarian Powers, then once again, whatever the flow of arms from

Anglo-Saxon factories, and of ships from their yards, Hitler would be able to think in terms not of stalemate, but of total victory. It would be a miracle, considering their resources, if the United Nations were to be defeated outright. But miracles do sometimes happen. That is the longterm significance of the Middle Eastern front.

A Way Out

IN its third report, published last Tuesday, the committee appointed by the President of the Board of Trade in May last year to examine the problem of concentration in the non-food section of retail trade, has at last put forward a definite scheme which is summarised on page 24. One aspect of the problem, outlined in detail in the committee's second report, issued last January, and discussed in *The Economist* of February 14th, has become painfully familiar. Shopkeepers have been steadily forced out of business by exhaustion caused by lack of supplies or customers, or both, or by the loss of personnel called up for military service or for war work. But the formulation of a scheme designed to render this inescapable slimming process less painful was not the only task of the committee. The object of any such scheme must also be to hasten the process of releasing men and women for national service—and to safeguard the interests of consumers.

The committee was restricted in its choice of remedies, not only by its terms of reference, but also by Government policy. It was not appointed until the war had been in progress for twenty months. The food section of retail trade, which comprises more than half the total number of shops, was excluded from its purview. The committee was not asked to formulate proposals for a far-reaching reorganisation of the trade, but only to consider the "immediate needs of the conduct of the war and the position after the war." Finally, the committee was debarred from proposing a state-financed scheme of compensation, because of the Government's reluctance to accept the principle of compensation for losses of income or capital due to the war.

The scheme proposed is designed to facilitate the withdrawal of individual retailers from business during the war and their re-entry after the war. Contractual obligations and the fear of being unable to start again after the war are the main reasons why retailers continue in business, even if they cannot make ends meet; they do not move into other war work, where they are needed, until they go bankrupt. To overcome the first of these obstacles, the committee proposes the creation of a fund, financed by a levy on the turnover of those remaining in business, out of which payments will be made to retailers who may decide to go out of their business, either by "marriage" with another retailer or by temporary withdrawal from the trade. Payments to withdrawing shopkeepers will be calculated, not on the basis of their actual contractual obligations, but as a percentage of turnover during the twelve months preceding withdrawal. In the view of the committee, a sum representing five per cent of turnover would be adequate to meet charges, which consist chiefly of rent or, in the case of many owner-occupiers, of mortgage interest. Benefit is to be paid for the duration of the scheme if the rent liability persists; it is to cease automatically on the termination of the lease or at the earliest date when the lease can be broken.

In some cases, the "standard" rate of benefit will fall slightly below existing obligations, and in others it will exceed them. Where obligations exceed benefit, the committee suggests recourse to the machinery of the Liabilities (War-Time Adjustment) Act—which would require some revision—to secure a reduction in rent. Moreover, it rightly proposes that the rates payable in respect of premises from which fixtures and equipment are not removed on withdrawal from business should be reduced to a nominal level.

As a special inducement to the withdrawal of shop-

keepers without contractual obligations, or with obligations that can be terminated at short notice, the committee suggests the payment of a "special" benefit for a period of six months. "Special" benefit is to be calculated on the same basis as "standard" benefit, but it will only apply to the first £5,000 of turnover and cannot, therefore, exceed £125. Obviously, this provision is specifically designed to assist the small trader.

In order to meet the fear of being unable to start again after the war, the committee have tried to work out a way of ensuring that shopkeepers who withdraw or are called up will be able to set up shop again. Each trader who goes out of business will be entitled to ask for a certificate in two parts. The first part, which will be available to all traders, with one exception, will grant the holder prior rights of re-entry into the trade in which he had previously been engaged; the exception is the trader who claims "special" benefit in cash on withdrawal, but if traders in this class allow their claim to accumulate, at an agreed rate of interest, they will have the same rights as the traders who take "standard" benefit. The committee suggests that, while it would be impracticable to make benefit payments retrospective, the right of re-entry might also be granted to traders who go out of business before the introduction of the scheme. The second part of the certificate will grant the prior right to resume business in the same premises, the tenancy rights of which have been preserved under the scheme. The future is uncertain, and the right of re-entry must obviously be conditional.

The levy required to finance this "concentration insurance scheme" will be compulsory on all shops which remain in operation—except in the case of the "very small trader," who will be given the option of contracting out. The very small trader has been defined as the trader whose annual turnover is less than £1,000; he represents something like a third of the total number of non-food shops, but only five per cent of their turnover; and he usually holds a short-term lease, terminable at weekly, monthly or yearly intervals. It is proposed that the levy should be regarded as a business expense, not to be subject to tax. In view of the fact that a large proportion of the levy will become liable to income tax when the benefits are paid out in rent, this suggestion is not contrary to the Government's policy of refusing to finance concentration schemes out of public funds.

Within its limits, the scheme contains all the elements—not indeed of a solution of the problem—but certainly of a practical stopgap to mitigate the hardships of withdrawal. Possibly, too, it will hasten withdrawal, and so help the war effort as well as the shopkeeper. In addition to the traders who have already fallen by the wayside, there must be many thousands who, but for their contractual obligations, would also have given up their business and will inevitably have to do so sooner or later. To these the adoption of the scheme would undoubtedly bring relief; they will be enabled to conserve some at least of their resources, with a chance of starting again after the war. Since leases are not renewable under the scheme, those traders whose leases are still current at the end of the war will have an advantage, in the earmarking of post-war premises, over those whose leases have fallen in—though, in many places, landlords will not find it easy to find new tenants for vacant shops during the war. Landlords will obviously benefit from the scheme; they will continue to receive their rents, though only until the expiry of their leases. Admittedly, the scheme

contains no special provisions for underpinning the small trader. But this could hardly have been expected. It is part of the process of total war that the number of shopkeepers should be reduced. This is happening, scheme or no scheme. The committee's job was to make the process less painful. Nor does the scheme offer temporary pensions to shopkeepers who are compelled to go out of business; the majority of the personnel released will probably find other means of support, in essential work, during the war—though, obviously, in the case of elderly people, hardships due to the war, and in no way to the scheme, will scarcely be mitigated at all.

What of the consumer, the shopper? The committee has calculated that a levy of only one per cent on turnover would provide sufficient funds for the withdrawal of retailers representing some twenty per cent of total turnover. It should not be necessary for even this small percentage to be passed on to consumers in higher prices. The shops still in operation will take over part of the overheads of the closed premises, but not their wages bill; and their additional turnover should be adequate to compensate them for the increase in fixed charges.

The first criticism of the committee's plan is that it was not put forward and adopted a long time ago. The

scheme published this week could equally well have been prepared within two months of the committee's appointment. What its effect will be—as a stopgap measure—is uncertain. It is impossible to estimate how many people will be released for the war effort by traders taking advantage of the scheme. A time-limit for the payment of benefit of, say, six months from its adoption, might have made certain of a large response. But it must be repeated that the main defects of the plan are due to the restrictions imposed on the committee by its terms of reference, and by Government policy. There is no general compensation policy to form the context of a scheme for wartime retailing. As it stands, the scheme contributes very little to the reorganisation of retail trade. It is relief, not rationalisation; and it does little or nothing to provide against the tendency in shopkeeping towards monopoly. Nevertheless, half a loaf is better than none. If the Government is still adamant against a policy of compensation to spread the burden of war losses fairly and efficiently, such a scheme as this should be introduced without delay. It would be a pity, and a disservice to the small shopkeeper, if he were to become the subject of a long-drawn controversy at this stage, so that his body will be wrangled over, while he continues to bleed to death unsuccoured.

A New Social Service

THE social services can be divided broadly into two classes, those which provide benefits in cash and those which provide benefits in kind. During the war, a third category has come into prominence, those which furnish information and advice. Never has there been so much need for so much information by so many people as in this war. Evacuation, billeting, bombing, compensation, allowances—the problems which may burst suddenly upon any home are legion. In no other war have ordinary citizens required guidance of such novelty, such complexity and such urgency.

This aspect of total war was recognised at the outset by the National Council of Social Service. Citizens' Advice Bureaux were set up to assist people "to find their way through the welter of wartime legislation." In January, 1940, the citizen's advice notes, published by the NCSS, contained 958 items; by March this year the number was 1,477.

In general, three kinds of assistance are called for—information, advice, and legal opinion. Information and advice are the work of the Citizens' Advice Bureaux. The information provided may be of the most elementary kind. It may consist simply in bringing legislation or regulations to the notice of enquirers. The Citizens' Advice Bureaux have collected information about the amenities of their districts for the aid of war workers. The Bureaux have been increasingly used by Government Departments and local authorities to provide the public with essential information. Advice may, of course, be more complex. Hundreds and thousands of men and women have turned to the Bureaux for guidance on their difficulties, primarily in towns which have been subjected to heavy bombing. There are now about a thousand Bureaux established throughout the country, mostly in the larger towns and suburbs, but also in many smaller places. It has been roughly estimated that the Bureaux deal with two million questions in a year.

The invaluable work of the Bureaux, however, reaches its limitation when legal opinion is required to solve the inquirer's difficulties. Then, it is a matter for a lawyer. Fortunately, there was even before the war some machinery to provide the poorer people with legal advice—distinct from the free legal aid in the courts which is furnished by the Poor Persons' Committee. Free legal advice in the form of a poor man's lawyer was first started in London towards the end of the last century at Toynbee Hall, under the East London Tenants and General Legal Protection Committee. The Cambridge University Settlement in Camberwell followed suit at about the same time,

and it is highly to the credit of the settlement movement that it was the pioneer of this service. It was not until after the last war, however, that this service was expanded at all rapidly. By 1940, there existed 125 free legal advice centres in England and Wales, of which 55 were in London. The organisation and financing of these centres vary considerably, though the great majority are organised by local Law Societies. They may be organised directly by the legal profession itself. They may be under the control and management of a local council of social service, a community council, a borough welfare committee, or a personal service society. They may be run in connection with a Church or a mission or a religious or philanthropic body. This variety does not perhaps ensure the most economical service; but it does show how wide an interest the movement to provide free legal aid has attracted from many different quarters. In the London area, there is a measure of co-ordination, in so far as all the legal advice centres in the area are affiliated to the Bentham Committee. In 1931, the Bentham Committee laid down standards and methods which have now been adopted by practically all the London centres. The influence of the Committee has been considerable; and it may be expected that if the State ever takes over responsibility for this class of social service the Bentham Committee will provide a model for its expansion and supervision. It is a good omen that the Haldane Society, of which Sir Stafford Cripps is the president, has investigated the possibilities of extending the services of advice bureaux and poor man's lawyers during and after the war. In a publication called "The Law and Reconstruction," it recommends the establishment of a body managed by a committee of 11-13 persons, who would be appointed by the Bar Council, the Law Society, and by other public bodies closely connected with local authorities. It would give legal help to deserving persons with the financial assistance, where necessary, of the Treasury. The recommendations are intended to ensure that no person is denied, owing to lack of means, the opportunity of ascertaining his legal rights, as well as enforcing them.

No hard-and-fast line, of course, can be drawn between legal advice and legal aid. The system of free legal help at courts has been of great assistance to the legal advice centres; and the centres are naturally concerned to secure as great an expansion of legal aid as possible. In particular, they have been prominent in protesting against any restrictions on such aid, since this only facilitates the activities of "ambulance-chasing agencies" and speculative solicitors, whose object is to persuade poor people to

make agreements about the financing of their legal actions on a percentage basis. These agreements are illegal and void. But most poor people do not know this; and it almost appears as if legal advice on legal aid is yet another need.

The important point is that information and advice are not just matters for the complicated wartime period. They are radical parts of the social services themselves. The present social services have made almost no provision for this kind of assistance. Whenever official enquiries have been made into the operation of the great social insurance schemes, such as National Health Insurance or Workmen's Compensation, ignorance of the law on the part of insured workers has been much emphasised by witnesses. Where insured persons have behind them a trade union or other body acquainted with the intricacies of social insurance law, they are reasonably well protected. But the majority of workers do not enjoy this benefit. Moreover, in cases of dispute before the courts, workers may be confronted by lawyers who are experts in these matters, since they are accustomed to handle them in the interests of private offices, while the workers themselves have to rely upon advice of less expert counsel. This is only one of the defects of a sys-

tem of social insurance, the carrier of which is not an official body but private or semi-private concerns. In one branch of social insurance, that of working-class life insurance, or industrial assurance, this defect has already been recognised and remedied. There is an Industrial Assurance Commissioner with wide powers to give information and advice to insured people. This official, who is also the Chief Registrar of Friendly Societies, runs an advice bureau on a grand scale. He receives some 10,000 enquiries or complaints in a year; he receives and dispatches seventy to eighty thousand letters. There can be no doubt that his work—which is worthy of the tradition which the Office of the Chief Registrar has built up—has saved a great deal of unnecessary litigation and relieved many anxious and ignorant people of their worries. It should be regarded as a model for future progress. Whatever may be the special circumstances of wartime which have promoted this problem to a much higher place during the past three years than ever before, the experience of the Citizens' Advice Bureaux and of the legal advice centres proves beyond a doubt that, in the future, information and advice on the broadest scale should be regarded as one of the necessary conditions of social security. It is a new and much needed social service.

NOTES OF THE WEEK

Rommel's Drive

Since Tobruk, the German advance has driven towards Alexandria with only the slight pause necessary to pinch out Mersa Matruh. Rommel is keeping to the coast for his main line of advance. Speed is a chief factor in his African strategy, and here the going is good enough for a smart pace. The British have fallen back, flanked by the Quattara



Depression and the sea; and round El Alamein, where the front narrows to some 40 miles, the main battle is already joined. General Auchinleck has taken over command in person and, after the crippling losses in armour and fire power sustained in Libya, his decision to make a deep withdrawal is obviously sound. It brings the front nearer to the Allied supply base; if the comment may still be permitted, it lengthens Rommel's lines of communications. But supply is hardly Rommel's problem. Tobruk was a mighty haul. Good water is available at Sidi Barrani and Mersa Matruh. Convoys are still arriving in the Axis rear, and it does not look as though the RAF has yet got punch enough to disrupt the ever-lengthening line. Meanwhile, an armoured division may be feeling its way south, to Siwa and beyond. Here a string of bases could carry a swiftly moving tank column to the higher reaches of the Nile in a very few days. If Rommel has really divided his forces in this way, the tactic is well in keeping with his gambler's daring. It is still too early to judge of its success.

Price of Inaction

There are indications that the bill for the Government's failure to adopt a national wages policy will soon be presented. In order to ensure the flexibility in war production, which is necessary if the output of weapons is to be promptly adjusted to the changing needs of strategy, there must be

mobility of labour. The Ministry of Labour plans to move workers from jobs, the products of which are not so immediately needed or in which stocks have been accumulated, to work on ships, guns, aircraft and cotton goods which are urgently required in larger volume. But, inevitably, the transfer of labour from one job to another frequently involves, as it does in the case of transfers from munitions to coal or cotton, the movement of workers into a job where wages are lower. Workers are unlikely to accept transfer to less well-paid jobs without a sense of grievance which is hardly conducive to sustained effort. Mr Bevin has recognised the difficulty. In announcing the decision to move 5,000 women from war factories to cotton mills, he referred to the need for making wage adjustments. But cotton weavers and spinners, whose claims for higher wages—based on the discrepancy between their earnings and those in munition factories—were recently rejected on the ground that they had failed to establish a case, are unlikely to tolerate differential wage rates within their own industries. Unless some ingenious method of overcoming the difficulty can be found, they will renew their claim to generally higher wages. They could hardly be blamed for doing so. If transfers of labour, backwards and forwards within the war effort, are to be on a large scale, the inevitable tendency will be towards the levelling up of wages. If rates in the highly-paid munition industries remained stable, it might be possible to accept this tendency as the inevitable price for past inaction. But, as the heavy claim of the engineers shows, there is no reason to believe that demands for increases in the highly paid jobs are likely to cease. On the contrary, the pressure for increases has already been intensified; a numerous batch of new claims in various industries have already been tabled. Unless the policy of price stabilisation is to go by the board, the Government must surely be compelled to face the issue at last.

War Workers

Further steps to mobilise the nation for total war have been announced by the Ministry of Labour. First, Mr. Ince, speaking to the Industrial Welfare Society at Oxford, stated that the number of registrations for all purposes now amounted to nearly 23 millions. This means that something like a complete register of manpower has now been compiled—a pitifully long time after the proposals for a National Register were flouted and scorned. Secondly, the registration age for men has been raised to 50, and that for women to 45. Thus all middle-aged, self-evacuated women without family responsibilities will be called upon to play their part in the war effort. Thirdly, and most important, Mr Bevin announced in a speech at Liverpool that younger munition workers may be called up. This decision must be interpreted in the light of events in Libya—the losses in men killed

and taken prisoner—and in relation to the conversations between the Prime Minister and Mr Roosevelt. The increased call-up can hardly be intended for the purpose of swelling the ranks of the Army stationed in this island, and the engagement in large battles elsewhere would necessarily involve heavy calls upon manpower. There is a future implication, which may be dictated by the immediate shipping position, and which may be important in the long run—a shift of production from England to America because of the difficulty of expanding imports of materials. The policy is significant for the rôle played by women in production, both quantitatively and qualitatively. According to Mr Ince, 7½ million women have now been registered, and are being interviewed at the rate of 50,000 a week, and placed in industry and the Services at the rate of 20,000 a week; while the number of women employed in munitions and certain essential industries and services has increased by 1½ millions since June, 1939. The training of women as skilled workers has not progressed very rapidly—as was shown by the Select Committee in its seventh report. Employers are expected by the Ministry of Labour to provide four-fifths of the training in the factories, and they have often been both slow and reluctant to arrange this or have not had the necessary facilities. The Amalgamated Engineering Union has declared its readiness to co-operate in training women, and, very belatedly, is also condescending to consider the possibility of admitting women to union membership. Other factors which affect the entry of women into industry, and their productivity once they are employed, are the low rate of wages compared with those of the men; the provision of housing, transport, nurseries, shopping facilities, medical services; and the improvement of conditions in the factories generally. Insofar as the Government relies on women volunteers and hopes to increase the number of part-time workers, it is all-important that much closer attention should be paid to the training, wages and conditions of women workers.

Moves in India

There are new hopes of an accord among Indian politicians. For a while, it seemed that the efforts of Mr Rajagopalachari to secure an agreement between the Congress Party and the Moslem League were doomed to failure. They were rejected by the Working Committee of Congress; Mr. Rajagopalachari's followers in Congress were placed under a ban; and Mr Gandhi took advantage of the confusion to propose once more a policy of non-resistance and non-violence and to call upon the British to "get out." It seemed that Indian politics were back again in the depths of frustration. Pandit Nehru also asked the British to depart. Then came second thoughts. Pandit Nehru explained that he was only asking the British to abrogate their political power and not to take away their forces. Mr Gandhi himself lost confidence in his "foolproof" plan to save India by pacifism and anarchy. Almost plaintively, he explained in his newspaper that he had not meant what he said. He would not ask the Allies to take a step which would involve certain defeat; he could not guarantee that the abrupt withdrawal of the Allied forces would not result in the occupation of India by the Japanese and the certain fall of China; "I had not the remotest idea of any such catastrophe as the result of my action." Mr Rajagopalachari is still at work. He has been in consultation with Mr Jinnah, the Moslem League leader. Now, he is to meet Mr Gandhi. Hopes of agreement in India have invariably been dashed. But, this time, there is the basic fact that no Indian—not even Mr Gandhi, and certainly not Pandit Nehru—can contemplate a Japanese invasion of India without realising that it would be the end of any hopes of independence for either India or China. Dr Azad, president of the Congress Party, has made it plain that, "once Britain grants freedom to India," Congress would call the people to arms and support conscription. Mr Gandhi spins words too finely, and sets his plans in too mystical a sphere, for him to lead all-India in the right direction to deliverance; but it is just conceivable that he may cease to stand in the way of the practical work of others.

No Change for the Colonies?

It was the Conservatives' innings when the Colonial Estimates were debated last week—for the first time for three years, though there have, of course, been several debates on colonial affairs since then. During these three years, there has been something approaching a revolution in the attitude towards the colonies, both in and out of Parlia-

ment. The passing of the Colonial Development and Welfare Act established the principle that the colonies cannot be expected either to pay for their development, or to pay their way, and it was agreed that they would have to receive considerable assistance from Great Britain. At the same time, demands for self-government in the West Indies were growing, and measures of constitutional reform were introduced in Trinidad and Jamaica. Then came the loss of the East Indies and Malaya, which not only altered the economic position of the colonial empire, but also profoundly stirred public opinion about the whole basis of colonial policy. Many cherished ideas and ideals went with Singapore, but it was hoped that, out of the melting-pot into which they had been thrown, a new and better conception of imperialism would be born. These hopes were strengthened by a recent debate in the Lords, by a recent address of Lord Hailey, and by a leading article in the *Times* last week. They have been considerably shaken by the Commons' debate, which was for the most part a mutual congratulations party between Mr Macmillan and the Conservative members who dominated the debate. Mr Macmillan devoted the greater part of his speech to the new economic situation caused by the Pacific war and to the need for increased production in other colonies. But, as Mr Creech Jones said, "he was curiously obtuse in regard to the great human problems in the Empire." When he did touch on them, he was patronising rather than sympathetic. As for most of the other speeches, they seemed determined to establish the advantages of the old colonial system, the virtues and patriotism of the settlers and the disinterestedness of the traders, all of which, admittedly, have been too much decried lately, rather than to press for anything new—except for the setting up of a Colonial Development Board, which would appear to be a duplicate of the Colonial Office with the assistance of "business men" on economic questions. On the whole, it was the most disappointing debate on colonial affairs that has taken place for some time; its tone was far behind the trend of opinion in the House of Lords—and in the country as a whole.

Canada's War Effort

The chief feature of Canada's Budget for 1942-43 is its recognition that, great as Canada's war effort is in absolute terms, in relation to the national income it can still be even greater. In 1941, official estimates placed war expenditure at as much as 44 per cent of the national income; more recently, it has been recognised that the national income had been underestimated and war expenditure overestimated, and this spring the estimated proportion was revised to 36 and even 30 per cent. Evidence that the Canadian war effort was not yet placing a strain on the Dominion's economy was given in a letter from *The Economist's* Ottawa Correspondent (published in the issue of April 4, 1942, page 466), in which he gave instances of the boom in consumption goods, and stated that, in general, Canada was not so much tightening its belt as letting it out. The new Budget, presented last week, shows

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that the Government realises that the time has come to take a big tuck in it. Financially, Canada has arrived at the position Great Britain reached when Sir Kingsley Wood produced his Budget for 1941-42. Thus there is a very heavy increase in direct taxation, together with a reduction in the exemption limit for married persons and on account of children, while as an offset a certain amount of the tax collected will be treated as compulsory savings to be returned with 2 per cent interest after the war. EPT is raised from 75 to 100 per cent, of which 20 per cent will be returnable after the war. In addition, there are increases in the taxes on drinks, tobacco, telephone services, luxury articles and—an example which in this case Britain might follow—night club entertainment and transport. But all these increases will only raise the revenue by \$246 millions to \$1,918 millions, whereas expenditure for the year, including the gift to Britain of \$1,000 millions and compensation of \$85 millions to the provinces for their loss of income tax, will be at least \$3,570 millions and probably \$3,900 millions.

The Russian Defence Line

Sebastopol is now said to have fallen after four weeks' massed assault by superior German forces. The defenders' endurance has been breath-taking, and the respite they have gained for the Red Army elsewhere may prove decisive on the larger battle. Now the Germans are consolidating their gains in the Kupiansk sector and bringing up reserves for the next drive. Meanwhile, von Bock has attempted a break-through to the north in the Kursk area—apparently without much success; the Russians speak of terrific losses. Certainly one of the new factors in this second summer is the increasing cost exacted from the Germans in any attempted advance. The reason for this is almost certainly the existence of a very definite line of defence. All through last summer, the Russians were retreating too rapidly to build anything resembling a fortified front. The whole battle area remained fluid, once the Stalin line was breached. The work done last winter—on both sides—has introduced a more static position. The "hedgehog" may prove to be the answer to the mobility of the panzer. In every stage of military development, the defence tends to catch up the offensive; it is conceivable that the experience gained by both sides in the winter is once again bringing the seesaw down on the side of the defenders. The fighting in Russia is obviously still very far from trench warfare, but it has lost the breakneck mobility of 1940 and 1941. However, on neither side is there hedgehog defence in depth. The shell the Germans—and the Russians—have to pierce is harder, but the body behind is very vulnerable. A substantial break-through might lead to new territory-swallowing advances at the earlier speed. This death grapple will be determined by supplies. It is immediately relevant to the battle-front to know that, apart from the leased and lent weapons of war, supplies to the value of over £20 millions have reached Russia from Britain. The original £10 million credit is exhausted. The latest negotiations, foreseen in the original arrangements concluded last August, have led to a new credit of £25 millions. (The new arrangement is discussed on page 16.) It is to be hoped that, beyond the immediate needs of war, some thought is being given to the question of merging this interchange into a sound post-war exchange of goods and services.

Russia and Turkey

The Turkish Courts have passed a sentence of 20 years' imprisonment on the two Russians, Kornilov and Pavlov, who were accused of attempting to assassinate the German Ambassador, Von Papen. The trial—which opened on

April 1st—has been followed with growing irritation in Russia, and its dénouement was the occasion for a very violent outburst in the Soviet Press. Writing in *Pravda*, Zaslavsky spoke of "victimisation," or "buffoonery" and of the "judicial lawlessness" of Turkey, and demanded that "those responsible for this monstrous miscarriage of justice on two Soviet citizens should be called to stern account." The affair could not have occurred at a more unfortunate moment. Ever since Mr Eden's winter visit to Moscow, which was made the occasion of Axis-inspired rumours about British concessions to Russia over the Straits, the relations between the Soviet Union and Turkey have been strained. The Germans and Italians have naturally played upon Turkey's nervousness, and no occasion has been lost to increase distrust. For some time, for example, the repeated sinking of Turkish ships in the Black Sea was ascribed to Russian submarines. The trial offered a heaven-sent opportunity for intensifying this type of propaganda, and the Soviet Press, which had gone out of its way to report favourable Turkish comments, became angrier and angrier at the treatment and reporting of the affair. Coinciding with the reverses in Libya and Egypt and with the forced landing of American bombers in Turkey after a somewhat bizarre attempt to bomb Ploesti oil—as though every Allied bomber should not have made Tripoli its objective—it has done the cause of the United Nations little good. Nevertheless, there is a definite will to friendship on both sides. The Turks have given new evidence of this by appointing the Secretary-General of the Turkish Foreign Office, M. Achikalin, to succeed M. Aktay as Ambassador to Russia. M. Achikalin is the third ranking official at the Foreign Office.

High Revenue

The Revenue Returns for the first quarter of the financial year are printed in full on page 29. In the period from April 1st to June 30th, total ordinary revenue was £554,710,654, compared with £319,157,988 in the quarter ended June 30, 1941. The increase is over 73 per cent—a remarkable jump. One item, however, is new; the Canadian Government Contribution, under the recent agreement, amounts to £98,073,850. There was no such item in the revenue for the June quarter of last year, so that the actual increase in ordinary domestic revenue is £137,478,816, an increase of 43 per cent. The increase, at this stage of the war, is remarkable enough. The estimated increase in revenue from domestic sources for the whole of 1942-43 is less than 16 per cent. Direct taxation, comparing the first quarter of 1942-43 with the first quarter of 1941-42, has also risen by 43 per cent; income tax, as a result of the increased standard rate and the extension of income tax to lower incomes, is up by as much as 62 per cent. A remarkable feature is that revenue from indirect taxation has risen even more than revenue from direct taxation; in the first quarter of this financial year, receipts from customs and excise were 48 per cent higher than in the first quarter of last year. In part, this shows the higher levy that is now being taken from consumption; but, in part, also, it suggests that actual consumption, in physical terms, has not been reduced sufficiently. The object of extra indirect taxation in the total stage of war economy is to reduce consumption rather than to raise revenue.

Lower Expenditure

The figure for supply expenditure in the first quarter of 1942-43 shows a marked increase compared with the first quarter of 1941-42; but it is considerably lower than the figure for the fourth quarter of 1941-42 and only slightly higher than the figure for the third quarter of last year. Between April 1st and June 30th, £1,198,277,500 was spent on the supply services. This compares with £985 millions in the June quarter of last year, £1,071 millions in the September quarter, £1,168 millions in the December quarter and £1,338 millions in the April quarter. In part, of course, there is an inevitable tendency for war expenditure to fall as the costs of factory building and other capital works fall off. The first quarter is always the quarter of lowest spending. In addition, increasing aid is being obtained outside the budget, under Lend-Lease. Nevertheless, it is surprising that expenditure should have fallen back to the level of the second half of 1941. Even so, the difference between revenue and expenditure remains large. Total ordinary expenditure in the quarter up to June 30th this year (including interest

and management of debt, payments to Northern Ireland Exchequer and other consolidated fund services) was £1,295,390,988 compared with total ordinary revenue of £554,710,654. The need to raise genuine savings to the highest possible level and to mop up excess purchasing power by every means is very plain.

Fresh Start

The reconstituted regional boards began work on Wednesday, when Mr Lyttelton's eleven representatives—mostly well-known business men—took the chair, not as directors, as was suggested with sound sense by the Citrine Committee, but as equals among their colleagues—a situation which, in some measure, reflects the practical and political limits which have been set to the powers of Mr Lyttelton himself. The other members of the boards consist of representatives of the Admiralty and the Ministries of Supply and Aircraft Production; the regional controllers of the Ministry of Labour; the regional representative of the Board of Trade; and three representatives of the employers and three of the workers in the region. The executive committees include, besides the regional controllers of the Minister of Production as chairmen, the representatives of the three Supply Departments and the Ministry of Labour, as well as two vice-chairmen, one representing labour and the other employers. The inclusion of the latter suggests that the Government has not adhered to its original view that, at any rate to begin with, the executive committees should consist only of officials. Since Mr Lyttelton's representatives on the regional boards, though their chairmen, will have no powers to override their colleagues, their authority will depend in a large measure on individual drive and initiative. The Citrine report made very plain the serious shortcomings of the regional boards, which have now been in existence for some two and a half years. It is to be hoped that the local business men who have been chosen by Mr Lyttelton to be his representatives will provide the skill and impetus required to make them into efficient instruments for correlating and speeding up local production. If their powers prove to be insufficient for their tasks, these powers must be increased.

Fuel Economy

The campaign to secure an adequate reduction in the consumption of fuel without the introduction of rationing was initiated by Major Lloyd George, Minister of Fuel and Power, in a broadcast appeal last Sunday. In his view, there should be no difficulty in securing the requisite economies voluntarily; it only requires goodwill. But Major Lloyd George made it quite clear that his Ministry was making all the necessary arrangements to introduce compulsory rationing if the public's response falls below expectations. As a means of buttressing his appeal for voluntary reductions in consumption, the Minister of Fuel and Power has issued an Order—the Waste of Fuel Order, 1942—by which waste and the uneconomic use of fuel are prohibited. It is difficult to see, however, by what test the response of the public will be judged during the next summer months, when there will be very little demand for fuel for heating and when the consumption of electricity and gas for lighting will in any case be at a minimum. Moreover, although there is no limitation on the consumption of gas and electricity, deliveries of coal and coke are already subject to restriction. There will be a tendency, among those who have the storage capacity and the means of payment, to lay in solid fuel to the limit permitted. Deliveries of coal during the next few months will be no indication at all of actual coal consumption. The tendency to buy solid fuel to the limit permitted will be even stronger in winter than now, so that the reduction in domestic consumption will continue to be largely a function of the extent to which maximum deliveries are curtailed. That is to say, the only effective way of securing a sufficient cut in consumption is by some form of rationing.

Dr Salazar in Doubt

Dr Salazar, in his recent broadcast to the Portuguese people, expressed his anxiety about the present and the future position of his country. On the score of Portugal's plight to-day, his anxiety was obviously justified and understandable. Neutrality is an incredibly precarious thing

in the vast vacuum of lawlessness through which the Great Powers are hurtling this way and that in their death grapple. Any neutral may be knocked flat at any moment, and even if a real measure of independence is maintained, it is in a world of shrinking rations and tighter belts. Dr Salazar complains of the Allied blockade. He should complain rather of the U-boat campaign which has reduced the United Nations' shipping supply below the margin of safety. Great Britain has gone out of its way to help Portugal—in the purchase of sardines and wine, for example; but shipping remains the one great intractable problem of the war effort. Portugal, as a maritime Power, cannot expect to be totally unaffected by it. Dr Salazar's more distant worries are perhaps understandable; they are quite certainly unjustified, and in the context of the third year of the war they gave a very false impression indeed of the general situation. The Portuguese Prime Minister referred to the Anglo-Soviet Treaty and talked of the widespread anxiety that the post-war world would be a prey to the evil of Bolshevism, which, he contended, was at the root of the troubles of the last twenty years. At a time when most of Europe is under the heel of the most ruthless, godless and soulless tyranny mankind has ever known, and when only the resistance of the "Bolsheviks" on one side of Europe and of the Anglo-Saxon Powers on the other, stands between Portugal and the extension of this tyranny to all mankind, the terrors of Bolshevism might with rather more realism be allowed to fade a little. As for the future, a Pact with Russia will make little or no difference to the kind of social disintegration Dr Salazar fears. Russia will be an enormously powerful state in its own right. It is far more likely to try and permeate with "sedition" a Europe ranged against it in a hostile coalition than a Europe ready and anxious to co-operate in building up a more prosperous and peaceful great society. The Atlantic Charter gives Dr Salazar the guarantees he seeks. His speech would have been more balanced if he had mentioned the safeguards as well as the dangers of the post-war world.

Suñer's Travels

Señor Suñer has returned to Spain after a tour through the Latin countries, during the course of which he visited Paris as well as Rome. There are no very clear indications of the purpose of his journey. He may be acting as a sort of broker between the competing territorial claims of France and Italy—Italy has certainly piped down after the recent and grandiloquent military demonstrations in Savoy. Another possibility is that, as Foreign Minister, he wished to sound the other Mediterranean Powers about the course to be adopted in the event of a sweeping German victory in the Mediterranean. It still remains true that the presence there of Britain has given the Latin sisters a certain purchase in dealing with their heavy Teuton brother. If a division of the Mediterranean spoils is to come into question, it is in the interests of the three neighbours to present a united front rather than to be played off against each other, leaving Germany to take the swag. Yet it is doubtful, however victorious Rommel may be, whether either France or Spain will come into the war. The United States link with Vichy and the Anglo-Saxon foodships for Spain have a decided value, and in Spain there is a strong body of opinion equally opposed to involvement in war and to the Falange. It includes sections of the army, the Requetés and the Monarchists, and is decidedly influential. However, if Suñer were able to pull off a "restoration of Spain's colonial glories" in Morocco without a shot being fired, he and the Falange would have scored a major victory on the home front.

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INDEX TO VOLUME CXLII

Shortage of paper makes it impossible in wartime to follow the normal practice of distributing to every reader a copy of the Index to *The Economist*. Copies of the Index to Volume CXLII (January to June, 1942) will be available on July 17 and will be sent, free and post free, to all those who have applied since July, 1941, and to any others who make application now.

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War Workers' Children

Labour peers and Labour women united last week in pressing the Government to speed up the provision of wartime nurseries. The House of Commons returned to the charge in Tuesday's debate. The figure quoted by Lord Snell of 1,332 war nurseries at the end of May (540 opened, 576 approved or shortly to be opened and 216 planned), with accommodation for just over 52,000 children, represents a marked advance over the January figures (276 in operation, 374 approved and 257 planned). There has also been an extension in the provision of nursery classes and residential nurseries, and an increasing number of firms have established nursery centres; while for the older children, play centres both before and after school hours have been opened, and the Board of Education have just announced that schools are to remain open during the holidays. All this will help, but there is still much to be done. Even the target figure mentioned by Lord Nathan—5,000 nurseries to accommodate 250,000 children—would cover only a small proportion of the 2½ million under-fives in England and Wales. Until women are satisfied that their children will be adequately cared for, they will not be prepared to enter industry. A recent survey conducted by Rowntrees showed that the problem of what to do with their children was the chief deterrent to married women seeking work. There are, of course, considerable obstacles. There are prejudices to be broken down, and there are the practical difficulties of premises, equipment and staff. The announcement that training courses for nursery school teachers are being established is very satisfactory, but a higher scale of remuneration should be offered in order to attract recruits. The Select Committee recommended a reduction in the present basis of staffing, but the Minister of Health in a recent speech affirmed his determination not to do anything that might lower the standard. Indeed, the proportion of 1 adult to every 4 or 5 children cannot be considered excessive, since it includes all domestic staff, and even on the present basis, assuming that the provision of accommodation for 40 children frees 30 mothers and that the staff required is 10, the net gain to industry is 20 women. It is to be hoped that the Government will continue their policy of establishing nursery schools as opposed to the alternative, which seems to have gained some favour (vide Circular 2535 of December, 1941) that of "registered daily guardians." This system, though it may be suitable in some suburban areas, is uneconomical in woman-power and is much less satisfactory for the health and well-being of the children than properly-run nursery schools.

Seamen's Welfare

There is a great fund of public sympathy for the men of the merchant navies who face danger and death in their daily work; translated into practical terms, this sympathy demands that these men should not have to risk their lives in bringing over non-essential imports and that their conditions both on board and on shore should be improved. Increased safety measures and better arrangements for welfare at ports were the principal subjects discussed by representatives of shipowners and seamen of the Allied Nations in London this week at the twelfth session of the Joint Maritime Commission of the International Labour Organisation. The men's representatives held that there was still far too great an element of charity in the matter of seamen's welfare, which they regard, very properly, as a right. In Britain, at any rate before the war, arrangements for accommodation and welfare in the ports were largely left to voluntary organisations such as the British Sailors' Society and the Missions to Seamen—for instance, the British Sailors' Society during 1938 provided nearly one quarter of a million beds in its institutions, besides 20,000 free beds for destitute seamen. The Government did not take any direct action until the end of 1938, when, acting on a recommendation adopted by the International Labour Organisation, it conducted a survey of existing facilities in the main ports and established the Seamen's Welfare Board, though this body did not actually meet until October, 1940—over a year after the outbreak of war. Its functions are to advise the Minister of Labour "on all questions concerning the welfare of British, allied and foreign seamen in British ports and of the crews of British ships in overseas ports." Port welfare committees have been set up in all the main ports and full-time welfare officers have been appointed. At the same time, the co-operation of voluntary societies has been secured through the establishment of a Central Consultative Committee, composed of twenty-four organisations. However admirable their "pioneer" work,

the voluntary organisations suffered through insufficient co-ordination and were often hampered by lack of funds. The provision of seamen's welfare seems to be a clear case of a sphere of activity which should not be left to voluntary effort; as Admiral of the Fleet Lord Chatfield said in a recent speech, it is to be hoped that the state will continue after the war to exercise the responsibilities for seamen which it has had thrust upon it during the war.

The Nation's Health

There is certainly cause for satisfaction in the Minister of Health's statement that the nation is now in some ways healthier than it was before the war. The figures quoted in Tuesday's debate (which, incidentally, attracted an attendance of only 40 members) of the lower infant mortality rate were reassuring; major epidemics of infectious diseases have been avoided; and an increasing number of children are being immunised against diphtheria. It is indeed remarkable that the public health should have suffered so little from war conditions, with the dislocation of normal life, nutritional problems, the depletion of medical staff and a shortage of nurses—which is giving rise to particular concern. On the other hand, there is cause for alarm in the increase in tuberculosis, cerebro-spinal fever and pneumonia. The increase in tuberculosis can be directly attributed to war conditions—shelter life, overcrowding, housing shortage, black-out and bad ventilation. But quite apart from war conditions, there is the legacy of past neglect—the lack of provision for early diagnosis under the panel system; the meagreness of the financial benefit involving too early a return to industrial life; the inadequacy of maternity benefit and the lack of pre-natal treatment; the fact that TB sufferers are often unable to gain admission to an approved society and consequently forgo the prospect of additional benefits; and the shortage of sanatoria, convalescent homes and rehabilitation measures. To combat TB, the Ministry are ordering miniature radiography sets which should be available for local authorities towards the end of the year and more attention is to be paid to after-care. The maintenance of the standard of public health is largely due to the improved provision for children, both of pre-school and of school age. Credit must in part be given to the Board of Education and the Ministry of Food for the development of school meals, and the supply of milk and fruit juices. The picture of health in industry is far less satisfactory. The accident rate has greatly increased and long hours of work and strain have begun to tell, particularly on young workers and women. Preventive treatment, as the BMA's Medical Planning Commission has emphasised, is the essence of the problem. The conditions, hours and status of the nursing profession need to be improved. The situation demands greater co-ordination and unification of the country's hospital and nursing services. These are measures which should not wait until after the war to be put into effect.

Misquotation

Reference to the verbatim text of Lord Beaverbrook's speech at Birmingham on June 21st suggests that, when he spoke of "persons in high places" who were opposed to a Second Front, he appears to have meant Hitler and Mussolini, whom he mentioned a sentence or two later. This qualification did not appear in any published version of the speech, not even in the *Daily Express* which printed "the text." One newspaper which printed the first part of this passage verbatim left out the later sentences. A number of listeners to the speech apparently gained the same erroneous impression of Lord Beaverbrook's meaning as was conveyed in a Note in last week's *Economist*—namely, that he meant persons in high places in this country. The reason is, probably, that it was an odd way of stating the truism that the Fuehrer and Duce do not wish to be attacked. Under paper rationing, no speech is printed in anything like full terms in the national newspapers; and it was specifically stated in *The Economist's* Note that the comment was on the speech "as reported in the press." It is Lord Beaverbrook's right that the correction of this misquotation should receive the widest publicity. It should be pointed out, of course, that the argument of *The Economist's* Note did not stand or fall by this citation. The argument was: Lord Beaverbrook states that there should be a Second Front "forthwith" and that, from his knowledge, the physical means of carrying it out exist; the implication can only be that, if it does not happen, persons in high places in Britain are holding it back.

AMERICAN SURVEY

Portrait of Britain

(By a Correspondent lately returned from the United States)

IN a famous passage in the *Education of Henry Adams*, the narrator describes the astonishment with which he saw, in 1858, the English "Black Country." On his way to London, the young American felt "the sense of unknown horror in the weird gloom which then existed nowhere else." Now the black country exists in Adams' own country—and in the chief enemy of that country—on a more impressive scale than it does in the pioneer home of modern industrialism. But it is time that the people of the United States were reminded of the fact that Britain is still one of the great industrial powers of the world and that, if this had not been so, Britain could not have stood out against the powers of darkness when American material and spiritual preparations were still so inadequate.

Statistically, in terms of war output, Mr Lyttelton has lately done the job well. But there remains a permanent American misconception of British life and resources to be attacked. In the days when Henry Adams first came to London, Americans arrived at Liverpool and, even if they took time off to visit Chester, they could not escape the impressive novelty of the Black Country. Now they enter, in peace time, by Southampton. They need see nothing of the kind of country where the vast majority of the English people live. Nor is Britain any longer the sole workshop of the world. Her old exclusive predominance is gone; and it is an easy step from that undisputed fact to the illusion that "industrial Britain's dead and gone, it's with the coal trade in the grave." Such, at any rate, is a very wide-spread American illusion, and it is one of the most hurtful illusions among the many that make Anglo-American relations, at this moment, so delicate.

It is not, perhaps, too much to say that the American man in the street thinks of the British effort in the past year as a series of campaigns fought by Australians armed with American equipment. Even the RAF is thought of as largely Dominion in personnel and overwhelmingly American in machines. That until very recently Britain has been its own armoured and its own provider of soldiers, sailors and airmen is not known. The relative contribution in men is something that can be dealt with by the release of more figures and more stories of individual achievement. But the industrial picture cannot be made understandable without a great deal of spadework. For there is a rival picture, painted with some skill and more zeal, and this has to be scraped away before the drabber, but more impressive, realities of British life and power, can be seen.

What is the picture painted for Americans by British films, novels, belles-lettres, lectures? Amazingly, it is of a predominantly rural country with a large rentier population living on the profits of empire. It is there that the characters in the *Wodehousian* drama disport themselves when not in the West End. There lives Mrs Miniver. There die the baronets and others who are found slain in libraries and country house bedrooms. There, in their gardens and on their lawns, the English upper-middle classes play at rural life like Marie Antoinette haymaking at the Petit Trianon. The only important shadow cast on this idyllic picture is that thrown by grim and "powerful" novels and plays of the depressed areas. "Murder in the Country House" and "Love on the Dole"—that is all that many Americans know of the eastern bastion of their own security.

A great deal is done to reinforce this impression. In the outer office of the British Information Services in New York lies a copy of the admirable Office of Works survey of Oxford, in which practically no building later than 1700 is mentioned. There are copies of the shiny paper weeklies with illustrations of contemporary England, such typical scenes from the island fortress as the market place of Chipping Camden and a meet of the Pytchley. Can it be wondered if the fact that, despite the distressed areas, Britain made great advances in wealth and modern industrial resources in the years before the war is unknown in America, or that, in consequence, the character of Britain's war-time achievement is not understood at all? To many Americans, the fact that the British people "can take it" is no longer impressive; to these, with the decline in the intensity of the air war, it merely means that the British people can take the things they send to Britain. There is a danger that Britain may come to be regarded by the American people as simply a convenient battlefield or base from which Germany can be attacked, much as Britain regarded Spain in Napoleon's time.

The pretty-pretty rural picture of England not only makes the American public underrate what Britain has done and can do in the industrial field; it also makes them under-estimate the nature of Britain's agricultural and food achievement. Many Americans seriously think of the problem as being a matter of ploughing up a few ducal parks, deer forests and golf courses, and then feeding amply. That all of England is the size of New York State, with four times the population, is not realised. That the British food problem has been intelligently and competently handled is not understood. The "black market" is becoming, in American eyes, something as big and normal as the booze racket was under prohibition. And as long as this country is talked about in these suburban-rural terms this is bound to be so. For it must be remembered that Americans are, in the mass, far more familiar with real farming than most British people are. It is at least two generations since the majority of the British people knew anything of farming at first hand. But in America, the farmer's son from Iowa or Norway is a very familiar figure in all ranks of society. The Americans are not to be taken in by æsthetic country-lovers with their amateur attitude to a great economic problem. That British farming, when good, is the best in the world, and that Britain can give lessons to California in the running of "factories in the field" is not known at all. All the neo-agrarianism of British men of letters and politicians merely makes Americans wonder if there is any future for Britain at all. They talk seriously of Britain evacuating most of its population to Canada after the war. They are convinced that British power is largely a result of a past and now irrelevant prestige.

At home, the British people know how seriously to take the neo-feudalism of the successful magnate who wants to put as many miles as possible between the factory and the renovated castle. They know how seriously to take the peasant enthusiasms of popular journalists, enthusiasms made possible by the profits of the great capitalist press. They know that the greater part of England is far more like western Pennsylvania than it is like western Connecticut, and that Dunster is no more typical of England than is Santa Barbara of the United

States. It is well that it is so. Power and national survival to-day are a function of industrial power. The Americans know this. The Germans know this. The Russians know this. And the British know this, too. The nations whose industrial power is inadequate, the French, the Poles, and the Italians know it no less. It is true that high industrialisation made Britain run the risk of being starved. But a high degree of concentration on agriculture at the expense of industry would simply have substituted the certainty of being conquered.

The rural picture painted by Britain's literary spokesmen, and fostered by the snobbery of Britain's official classes is not only false. If true, it would simply reinforce the popular American belief that the British sun is very definitely setting. Snobbery may be harmless and respectable. But it is certain that, say, Mr William Shakespeare, prototype of Cotswolds and South Downs literary country lovers, had no illusions about where the money came from that enabled him to retire to gentility at Stratford. It was a nation of shopkeepers, not a nation of amateur farmers, that saved the sum of things in 1940. As a nation of farmers Britain will not cut much ice, and the Americans know it. As a nation of shopkeepers and ingenious mechanics, Britain can and will. Let those who speak for Britain recover some of the pride of Cobden or George Stephenson.

American Notes

Unified Command

The reverses in Libya and Egypt have provided a healthy corrective to the illusion that the production records in American factories would win the war. The question whether the right arms were being produced has brought a somewhat belated assurance from the head of the War Production Board that no time would be lost in bringing together the strategists and the production men. Even more discussion is being devoted to the problem of securing a unified command, both of the American Forces and of the United Nations as a whole. There was disappointment that this did not emerge as one of the results of the Roosevelt-Churchill talks. *The New York Times* argues that both Britain and the United States suffer from the failure to create a unified military command:

In both cases an overburdened Chief Executive who must be responsible for literally hundreds of decisions in the fields of foreign policy, fiscal policy, labour policy, war production, social legislation, public morale and other questions of importance, is trying also to serve as his own Chief of Staff. In both cases such unity of command, as exists between the different branches of the Armed Services exists in the person of this one hard-working and distracted man. . . . A Joint Chief of a Joint General Staff, representing no one service, but detached from all services and intent only on the strategic planning and direction of the military phase of our war effort, has long been needed and is needed more each day.

The same paper has urged that the appointment of a single United Nations commander in each theatre of operations is essential. Unfortunately, the melancholy succession of events in Singapore, Burma, and Libya makes it unlikely that the American public would feel much enthusiasm for placing American troops under British leadership. One popular military commentator, George Fielding Elliot, has suggested that President Roosevelt should assume supreme command of the United Nations; but there has been considerable acid comment on civilian interference and political influence in matters of high strategy, and there is more support for the selection of a "new Foch," to be given full powers and responsibility before it is too late. The Army reorganisation of several months ago gave much greater representation to the air force in the War Plans Division of the General Staff, and a policy of unified command for task forces is already in effect. The ranking officer of the Service most likely to bear the brunt of the fighting is placed in control of all naval and military and air units. In many cases, including the defence of the Panama Canal, an air officer has been put in charge. Thus the selection of Major-General Dwight D. Eisenhower, a tank expert, to command the European theatre for United States Forces, is taken to mean that armoured forces will dominate any second front in Europe. Inter-Service training, whereby air officers are attached to the fleet and naval officers to the

army air corps, is now recognised service policy, although how widespread it is in practice is not clear. The fact that the Air Force is divided between the Army and Navy makes this, organisationally, a simpler matter than in Great Britain. The main concern of the critics is the Supreme Command and the method by which fundamental strategic decisions are agreed upon; but if it is true that the only unity of command which exists at the highest level is provided by President Roosevelt, it is doubtful whether the solution can be divorced from the problem of further generalisation of training between all arms all along the line.

The Prospects for Rationing

Both Mr Nelson and Mr Henderson, the Price Administrator, have gone out of their way in recent weeks to warn the American public that the sacrifices have only just begun. Mr Henderson, in a report to Congress, forecast wider rationing of essentials, and mentioned 15 rationing programmes which have been drawn up. These have been in existence for some time; presumably they affect imported commodities like coffee or those which make too great demands upon transportation or labour. The extension of rationing will not take place without Congressional opposition, however, particularly if it is scheduled to go into effect before the elections. There are reports of an increase in the sugar ration; and the prospective increase of the petrol ration along the Atlantic Coast to four gallons weekly, for pleasure-driving only, reflects fears of the wrath to come in November. There are other reasons for Congress's displeasure with Mr Henderson, which displayed itself in the cutting of his appropriation for his office by very nearly half. The appointment of price control and rationing officials appeared to some Senators and Representatives as an opportunity for a glorious patronage spree. Mr Henderson has steadily resisted the suggestion that these appointments should be influenced by political considerations and is demanding a free hand in selecting his men. Mr Henderson's weapon is the suggestion that Congressmen are playing politics with the war effort; Congress has replied by refusing to act on subsidies needed to bolster up the OPA's price ceilings. The work of the Office of Price Administration is constantly growing in importance. Besides controlling rationing and price ceilings, it is now reported to be working out orders governing the prices of munitions sold to the War and Navy Departments, originally excepted from the price control order, with the aim of limiting profits and wage increases. The disadvantages of the American system of divided powers has never been more evident than they are this summer, with the nervousness of some Congressmen and the greed of others blocking and delaying the essential work of restricting civilian consumption—both in this instance and in the creeping pace at which an admittedly inadequate tax bill is taking shape. Nor can the Administration, or even the President, be totally unaffected by political pressures. The magnitude of the American war effort appears all the more remarkable in view of the restraints and pressures to which it is subject.

Wages and Union Security

The "maintenance of membership" device for safeguarding union security—a compromise on the closed shop issue, which provides that union members must remain in good standing for the duration of the contract—had achieved such substantial success that cabled reports of the granting of the "closed shop" in the steel industry are unexpected. The managements of Federal Shipbuilding and International Harvester accepted maintenance of membership clauses with so much reluctance that it seems unlikely that the War Labour Board would have imposed even more drastic terms on the steel industry, which has been a notorious recalcitrant in its dealings with labour, and which often sets a precedent for other industries. Management has obstinately denied that there was any substantial difference between maintenance of membership and the closed shop; this may be responsible for the report. The grant of the dollar a day increase demanded by the newly formed Steel Workers' Union, possibly considered necessary to consolidate its position with the men, breaks away entirely from the compromises of other recent wage rulings which have reflected at least in part the President's request for stabilisation of remuneration. It will encourage the growing volume of demands for higher rates of pay, already stimulated by stories of fat profits on war contracts, and rationalised by

the argument that "equalisation" of wage rates is necessary to remove a dangerous incentive to labour turnover. Adjustment of wage rates is still being handled by several Government agencies, including the War Labour Board, the Department of Labour, and the Labour Division of the War Production Board; and in recent months they have devised a number of formulae to limit the scope of wage increases. However, many wage increases now being granted lie outside the jurisdiction of the agencies. The competition for skilled labour, particularly in the aircraft industry, makes employers only too willing to grant rises. These voluntary and uncontrolled increases have caused some alarm, and it has been suggested that Government sanction should be required for general rises in wage rates to workers earning more than \$25 a week, or that, alternatively, the Services should refuse to allow wage increases to be reflected in prices for war materials. Unquestionably, there are many anomalies in the wage structure, and it will not always be easy to rectify really sub-standard wages, which often exist in industries which could not grant increases without raising their prices and threatening their price ceiling. It is thought that increases may only be allowed where they will not be reflected in prices. The pressure on the President to elaborate a wage policy and make it plain where equalisation leaves off and stabilisation should begin, will be increased by the steel decision. A more firm and central direction of wage policy is certainly urgent, both for the success of the anti-inflation programme and the best use of the supply of man-power.

The Limitation on New Construction

The belief that the War Production Board would severely cut new construction this year, in order to push the immediate output of arms, appears to have been exaggerated. In April, all construction activities above a certain scale were placed under priority control, and it was thought that exemptions would be only sparingly granted. It is now reported that of the 300 applications reaching the War Production Board every day, about 90 per cent

are being passed. As early as the middle of April the Department of Commerce estimate that total construction in 1942 would amount to nearly \$12,000 millions, and it seems likely that this figure will be exceeded. In 1941 construction totalled just under \$11,000 millions, and in 1940 it stood at about \$7,000 millions. Military and naval work will absorb more than double the amount of labour and material than it did in 1941, and industrial and commercial construction, almost entirely for war purposes, will increase from \$2,262 millions to \$2,850 millions. Some of this is for new raw material industries, and conversion of existing plant is still proceeding; but it looks as if the cream has been skimmed off the possibilities of conversion, and as if the desire for specialised and up-to-date plant has outweighed the need for economising on materials and labour. Progress is being made, however, in substituting wood and cement for structural steel in new construction.

* * *

Shorter Notes

Representative Vinson, chairman of the House Naval Affairs Committee, announced last month that Congressional investigation into war production costs and profits has saved the Federal Government \$507 millions. Direct savings through re-negotiation of Army and Navy contracts totalled \$337 millions. Of this nearly \$300 millions resulted from the revision of contracts with five companies.

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The House Ways and Means Committee has voted a post-war credit of 14 per cent from corporation excess profits taxes. Shortly after payment of the excess profits tax at the rate of 94 per cent provided in the tax bill, the corporation would be issued with non-negotiable and non-interest-bearing bonds equal to 14 per cent of its excess profits. These would be made assignable after the end of the war. The Treasury has reduced the scale of its proposed deductions at source for income tax from 10 per cent to 5 per cent of income.

THE WORLD OVERSEAS

Trouble in Trinidad

(By a Correspondent)

OF all the British West Indies, Trinidad, with its oil resources and US bases, is strategically the most important; industrially, it is the most advanced, with over 260 factories at work on secondary industries; and, financially, it is the most prosperous, having sent over \$11 millions in gifts and loans to Britain. The total trade of the island in 1940 reached the record figure of \$102,931,949, an increase of 19.4 per cent over the 1939 figures. Exports showed an increase of \$9 millions at over \$46 millions. This increase was almost wholly due to the demand for oil. Imports in 1940 were \$45 millions, the increase of \$10 millions on 1939 being mainly due to the need for metal goods and construction materials. The main sources of imports were the United Kingdom, the United States and Canada, which supplied respectively 31.8 per cent, 27.9 per cent and 21.3 per cent.

Conditions were even better in 1941. The revenue for that year exceeded the estimate by almost \$2½ millions, half of which was lent to the United Kingdom, interest free, for the duration of the war. There is also an expected surplus of \$1,804,925 for 1942, when revenue is estimated to reach over \$19 millions, an increase of over \$4 millions on the 1941 estimates. Five years ago the revenue was under \$12 millions.

Trinidad, then, would appear to be one of the wealthiest colonies of the British Empire. Unfortunately, this outward prosperity is most unsoundly based. In July, 1941, Mr Newman, Acting Canadian Trade Commissioner, said: "Unemployment has disappeared and labour conditions are the best the country has known for years." But the present

good fortune is entirely dependent on the two factors already mentioned, the wartime demand for oil and the construction of the US bases, neither of which is permanent. When the output of the oilfields begins to decline, and when the bases are finished, Trinidad's economic welfare will be determined almost solely by what has always been its primary industry—agriculture. Ever since the oilfields of Trinidad have been exploited on a large scale, agricultural exports have totalled very much less in value than petroleum and asphalt exports. Even so, the Olivier Commission of 1930, the Forster Commission of 1937, the Moyne Commission of 1938, and Major Orde-Browne's Labour Report of 1939 all stressed the fact that agriculture was still Trinidad's essential industry, and only if this premise were accepted could any plans be made or reforms suggested which would ensure the future welfare of the colony. It is when the agriculture of Trinidad is considered that it is realised that the outward prosperity is completely misleading, and that behind the façade of Budget surpluses, increased trade and large gifts to the United Kingdom there are factors at work which, if ignored, are likely to produce poverty and discontent, leading, as in the past, to riots and disturbances.

Bankrupt Cocoa Industry

The agricultural exports for 1940 totalled \$8,680,000 out of the total export figure of \$46 millions. Sugar (\$4½ millions) and cocoa (\$2½ millions) were the chief items. Citrus, a growing industry, came third with over half a million. The cocoa industry is more or less bankrupt. The 1942 crop

will be in the region of 11 million lb, the lowest on record and a fifth of what it was ten years ago. Since 1935 the industry has been paid a subsidy, and the cocoa vote for 1942 was \$449,752, with an additional \$100,000 to be spent on controlling witchbroom. A rehabilitation scheme was started recently, but it has had to be dropped until the witchbroom disease is properly under control. An agricultural credit bank was started a few years ago, with funds of over one million dollars to assist agriculture, the small peasant proprietors in particular. Soon after the bank was opened, however, the big landed proprietors took up almost all the money available, and now, owing to the depressed state of the cocoa industry, they cannot pay their debts to the Government. It is likely that these indebted estates will be taken over by the Government and put up for sale. But, until a more satisfactory way of controlling witchbroom is found, the present cocoa industry of Trinidad seems doomed, and the sooner that is realised the better it is likely to be for the island's agricultural future. Even if a scheme of rehabilitation could be carried out, there would need to be a complete change in colonial policy, insofar as the price would have to be stabilised before the industry could produce and market cocoa in a way that would enable the conditions of the workers to be improved to any extent. In the meantime, the British Government has requisitioned 1,650 tons of the 1942 crop at a price (60s. per cwt shipped to the UK) which producers say gives them no profit and is so much under New York market prices that they will lose £35,000 by the transaction. It is certainly curious that on the one hand a subsidy should be paid to the industry and on the other the producers should lose a certain profit in order to keep down consumers' prices in the United Kingdom.

Now that the other colonial sources of sugar have been cut off the United Kingdom requires more West Indian sugar, and Trinidad has been urged to produce 180,000 tons of sugar a year. Output in 1941 was 131,609 tons, against 92,191 tons in 1940 and 128,455 tons in 1939. The decline in 1940 was said to be due to the climatic and pest conditions and particularly to the Government's Cane-farming Control Ordinance, which encouraged farmers to produce less than their contracts rather than risk a surplus for which the sale would be uncertain. This year's sugar crop should be in the region of 130,000 tons. But this depends on the labour available for reaping, for there is an acute shortage of labour, owing to the attraction of work on the US bases, and leading agriculturalists have been appealing to the Government either to relax the present immigration laws or to introduce a form of labour conscription. The latter, in view of the trade union opposition, the Government has been unwilling to do, but the immigration laws have been amended so that American firms have been able to introduce 2,000 labourers from Barbados for work on the bases. But the whole question of labour, and how to keep workers on the agricultural estates, is bound up with the economic policy of the Colonial Office. The sugar industry of Trinidad is at present making a comprehensive valuation of its assets, with a view to presenting a solid case for better markets in the United Kingdom after the war. There seems to be no reason why, if this move is successful, sugar should not continue to be the most important of Trinidad's agricultural exports. An increase of only ½d. a pound would add over two million dollars to the revenue of the sugar industry of the colony, and if proper safeguards were taken could be used to make a considerable improvement in labour conditions. The sugar industry claims that it has increased its wage-rates for labourers by 32 per cent since 1938, but in the same period the cost of living has increased by 38 per cent. Prevailing conditions are therefore very similar to those at the time of the '1937 disturbances, and agitation has ceased mainly because the US bases provide work for nearly 20,000 labourers at rates very much more than Trinidadians have been paid before. A day's work of ten hours at the bases is worth \$1.17. The sugar estates pay 95 cents a day, including a war bonus, and cocoa workers make 60 cents in time and 80 cents in piece-work.

Deplorable Housing

In spite of some improvements, housing conditions in the estates are still generally deplorable. Although the Commission on the 1937 riots urged that all the existing barrack accommodation on the agricultural estates should be "swept away," only a few dozen new buildings have been erected. A much bigger effort has been made in the towns, and a Planning and Housing Commission set up in 1940 has built 750 homes for slum-clearance purposes. But such a number has only a small effect, and it is doubtful whether what are

after all only "token gifts" to the Empire's war effort should be made when these sums of money would make a big difference to the housing conditions of the colony. In view of the island's outward prosperity, it is surprising how inadequate are all the social services—medical, health, education—and the blame for this must very largely be attributed to the chaotic state of the agricultural industry.

A complete re-orientation of agricultural policy has been called for time and again. The reports of the Moyne Commission of 1938 and of Major Orde-Browne in 1939 urged that there should be a great increase in land settlement and that the peasants should concentrate on growing foodstuffs for home consumption and not for export. At present Trinidad only produces one-fifth of its essential foodstuffs. Submarines in the Caribbean have now caused the food situation to become very serious. A Food Production Committee has reported that 100,000 acres would be needed under cultivation before the colony would be self-sufficient. It suggested that the Government should sponsor a scheme to cultivate 10,000, but admitted that that would not go very far if the island's supply was cut even by 20 per cent. A Government "Grow More Food" campaign has ended in failure. Stampedes have occurred at some of the markets. Profiteering is very prevalent, and the Price Control Board has not enough power to deal with it effectively. A Food Controller has been appointed, but any form of rationing is said to be impractical, although the neighbouring island of Barbados has introduced it to a limited extent.

Trinidadians are hoping that the recognition that more foodstuffs must be grown has not come too late. They are suggesting that the scheme to pay \$10 an acre for cocoa land cleared to plant food crops should be extended to include a further payment of \$10 an acre when the crops are actually planted. They are arguing that the Government should take over the large cocoa estates which are in debt to the Agricultural Bank and parcel out the land in small plots for food crops. The present situation thus demands measures which should also go far towards putting Trinidad's long-term agricultural policy on a sound basis.

French Railway Traffic

[BY A FRENCH CORRESPONDENT]

June 20th

A fog descended over economic activity in France when war broke out, and publication of the majority of statistics ceased. This fog thickened further after the Armistice. At infrequent intervals a few figures were released for the satisfaction of public curiosity. But the figures related almost entirely to public finance, that is, to the monetary aspect of economic life. The figures were substantially influenced by the movement of prices, and as these were not made known, the real movements remained concealed.

The recent publication of the railway results in 1940 and 1941 partially lifts the veil. The following table shows the daily movements of loaded trucks in the three years ended 1941, not including military transport since September, 1939. The figures for June and July, 1940, have not been included in the annual averages. Moreover, the figures for the eastern region no longer include the traffic on the railways of Alsace-Lorraine.

DAILY MOVEMENTS OF LOADED TRUCKS.			
Regions	1939	1940	1941
Est.....	4,553	2,579	3,239
Nord.....	8,823	6,176	6,108
Ouest.....	6,417	5,576	4,829
Sud-Est.....	8,383	8,640	8,778
Sud-Ouest.....	6,050	5,831	5,946
Total.....	34,226	28,802	28,900

For the whole of the French railway system, the 1941 traffic amounted to 79 per cent of that in 1939. Between 1940 and 1941, there was no substantial change. By regions, the 1941 traffic as a percentage of that in 1938 amounts to: Est, 64; Nord, 69; Ouest, 77; Sud-Est, 94; Sud-Ouest, 84. These figures suggest a number of observations:—

The 1940 figures have very little significance, since not only have the results for June and July been omitted, but two totally different periods are covered—January to May and August to December.

The setback in economic activity which the traffic figures indicate is an understatement. The virtual cessation of road transport must be taken into account and the fact that lack of fuel oil has considerably reduced water transport by river and canal. For the same reason and for others which may easily be guessed, coastal shipping has almost entirely disappeared.

The reduction in transport has apparently been much less marked in the unoccupied zone than in the occupied zone, but, as has been pointed out, the figures do not take into account military transport. It is probable, if not certain, that traffic in the occupied zone has, in fact, been much heavier, but that a very considerable proportion has been military.

Non-military transport includes an important section carried for the benefit of Germany. Transport of raw materials from Germany to France and of finished and semi-finished products and of foodstuffs from France to Germany is, at least in part, included in the civil statistics.

If military transport is taken into account, the total activity of the French railways cannot be far below the pre-war total and may surpass it. Since the rolling stock and permanent way have not been renewed, there is a constant wastage of installations and equipment. Consequently, equipment in the unoccupied zone, which has been reduced by more than one-third by German looting, can only with difficulty sustain the strain imposed by the burden of the actual traffic.

Portugal's Economic Problem

[FROM OUR LISBON CORRESPONDENT]

May 25th

THE Portuguese Government has, on the whole, coped successfully with the menace of inflation, but the recent substantial increases in banking deposits and the lack of profitable outlets—at present—for such surplus funds may cause complications. A marked increase in buying real estate, chiefly rentable urban and suburban properties, cannot absorb very much money, while new building, and even repair work, is so handicapped by the cost of necessary imported material that little is now done in this

direction. Rural properties, from the innumerable tiny peasant holdings down to the larger farm and forest areas of the south and east, are patriarchally held; certainly they do not change hands in the open market to any extent worth mentioning. Meanwhile money is superabundant in the hands of a comparatively limited proportion of the population, and prices, all government measures notwithstanding, are slowly but surely rising. There has been next to no corresponding increase in the wages of day labourers, who form the bulk of Portugal's working population, and their standard of living has consequently declined. Never luxurious, the menu of the married working man with a family, paid for by unskilled agricultural labour, is 25 per cent inferior to what it was before 1939. Necessities have become luxuries—for example, dried cod, salt bacon, olive oil—while the replacement of clothing is an almost insoluble problem. If Portugal is to avoid a serious economic relapse, some way must be found whereby the consumption of the mass of the population is increased. An improved standard of living for Portugal means a full and medically adequate diet for the workers and, in the cities, reasonably hygienic housing. The Government is well aware of the need; the question is whether these essentials to economic health can be ensured soon enough to forestall the dangers which lie ahead, and, if things in general follow their present trend, may be much nearer than many people suppose.

Rise in Bank Deposits

Figures published recently on Portuguese banking show a strong contrast between the banking deposits of January 31, 1942, and those of the same date last year. They were then 6,308,938 contos (1 conto = £10); in January, 1942, they stood at 11,064,967 contos, an increase in which all the principal Portuguese banks share. The Bank of Portugal heads the list, its figures rising from 1,059,111 contos to 3,013,442 contos. It may be granted that international agreements arising out of the war explain in part this particular increase, but the tendency is general. Thus the Banco Espírito Santo e Comercial, whose relations with Axis business are public and notorious, doubles its figures; from 558,538 contos they have sprung to 1,022,381.



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Russia at War

Skilled and Unskilled Labour

ONE of the main problems preoccupying industrial managers in Russia recently has been the disproportion between skilled and unskilled labour in many factories. The training of skilled workers has apparently not kept pace with the influx of new unskilled labour into industry; and the dilution of labour reaches sometimes a point where the intake of more unskilled workers is useless, because the staff of technicians and engineers is too small to handle the newcomers properly. This difficulty was, for instance, reflected in a laconic telegram received by the People's Commissariat for Mortar Arms from a factory manager:—

Sixty workers taken on, chiefly housewives. Am refraining from taking on further workers in view of the absence of skilled cadres.

This factory manager hoped to get some skilled workers from outside. But the Commissariat could only warn him against any such hopes and urge him to start the training of the new workers by such means as he could find within his factory. The correspondence between the Commissariat and the factory manager, published in the press, is, no doubt, typical. It is said that trade schools, railway training schools and factory schools trained no less than 700,000 skilled workers during the first ten months of the war. But this was not enough to fill the gaps caused by mobilisation; and, as the network of trade schools has been unable to cope with all the vast training schemes, most of the training has to be done in the factories.

Cadres must be trained in your own factory, in your own workshop, by your own engineers, charge hands and old workers.

runs an instruction to directors of factories.

It is only natural that the results of such hasty factory training are not always satisfactory. Many of the "dilutees" do not fulfil their production quotas; instances have been mentioned in which about one-third of the factory crew produces less than the norm. Besides this, the factory trainees have been taught to carry out only one or two definite operations; thus they cannot be easily shifted from one job to another when industrial overhauls, which are frequent, make such adjustments necessary.

The situation has led the Central Council of Trade Unions to take action. In an appeal on May 27th, addressed to local branches and trade union groups, the Central Council laid down a ten-point "programme of action," which is, in itself, an interesting illustration of the rôle played by the Soviet trade unions in the present production drive:—

1. Assistance to workers in raising their productivity.
2. Keeping in touch with the technical experts and bringing production plans to their knowledge.
3. Struggle against stoppages of machinery.
4. Watching day by day the results

German Europe

Manpower Problems

By the incorporation of Polish, Belgian and Yugoslav territory, Germany's population increased from 79.4 millions in May, 1939, to 90.7 millions in 1941. If Luxemburg and Alsace-Lorraine are added to the territory now under German civil administration, the total population numbers roughly 92 millions. The number of foreign civilian workers employed in Germany has been officially given at various dates as follows:

(thousands)			
January, 1941.....	1,150	September, 1941....	2,139
April, 1941.....	1,539	February, 1942.....	2,138

Manpower has become the most acute problem in Germany. The total number of workers employed in German agriculture, industry, transport, commerce and finance has been given as follows:

(thousands)			
July, 1939.....	24,460	May, 1941.....	23,083
January, 1941.....	22,670	February, 1942.....	24,084

of the "socialist emulation" and aiding those who lag behind with their work. 5. Care for the proper use of devices and proposals for rationalisation of labour. 6. Organisation of "patronage" of skilled workers over the unskilled ones (so that "unskilled workers should be put for a period of two or three months under the supervision of skilled workers, who will teach them a trade"). 7. Proper distribution of new workers who have come from the trade schools. 8. Publishing of records obtained by Stakhanovites. 9. Control over dining-rooms and canteens in factories ("putting them in such an order as to preclude any loss of labour time"), and 10. Passing on of productive experience from factory to factory and from workshop to workshop.

It can easily be seen that all the points are concerned with "spurring on" the workers, and particularly the unskilled ones, to greater effort. Only the ninth point has a bearing on the workers' standard of living.

It is interesting to note that the trade union delegate has the right to intervene directly in the process of production ("through the foreman"—as the programme puts it). The party cell in an industrial establishment is entitled to act in the same way. There may, therefore, be some overlapping between industrial management, party cell and trade union—though all these elements work towards obtaining the same end—an increase in production.

Financial Agreement.—On June 27th, an agreement on financing British war supplies to the Soviet Government was signed in Moscow by the British Ambassador, Sir A. Kerr, and M. Mikoyan, the Russian Commissar for Foreign Trade. The agreement provides for delivery of war materials without payment; it is retrospective and will be considered as being in force since June 22, 1941. Part of the Inter-Allied Lend-Lease arrangements it applies to deliveries of war materials and armaments only. Other deliveries of raw materials and equipment have hitherto been based on the agreement of August 16, 1941, under which Britain granted the USSR a credit of £10 millions. This limit, it has been stated in Moscow, has now been nearly reached, and the British Government has recently opened to the Russian Government a new credit account of £25 millions.

Sugar Beet.—The shortage of sugar is expected to be somewhat eased by this year's good beet harvest. The main sugar beet areas are now in the central Asiatic republics, Kirghisia and Uzbekistan. The areas sown there are said to be 250-300 per cent larger than they were last year; but it should be remembered that sugar cultivation in those republics used to be on a negligible scale, so that a high percentage increase in area does not necessarily mean a correspondingly high output in absolute figures. Most of the Asiatic plantations are artificially irrigated. The expected yield per acre is 16 tons; and some Kirghisian plantations gather as much as 20 tons. The refineries, which have been evacuated from the Ukraine, are being set up in the vicinity of the plantations.

These figures include foreign civilian workers. The increase of a million from May, 1941 to February, 1942, is of particular interest. Official figures suggest that, during this period, only 600,000 foreign workers were brought in, so that, in spite of very heavy recruiting for the forces, it is made to appear, first, that the men called up were replaced, and, secondly, that an additional 400,000 German workers were found. Actually, there is little doubt that these statistics are deliberately misleading. The increase between May last year and February this year can only be explained by the fact that the population of the incorporated territories has been added to the figures since the beginning of last year; it can be roughly estimated that an additional labour force of some 4 millions is available in the incorporated territories, with their total population of about 12 millions. During the same period, a considerable number of extra married women have been employed, mainly on part-time work, though the figures obviously count each of them as a full worker.

The fact is that the frenzied campaign for recruiting more foreign workers, the appointment of a labour dictator,

and the introduction of compulsory labour on the land bely the optimistic impression given by the official statistics. The total labour force, reckoned in man-hours, may perhaps have been maintained at the level of May, 1941, but only by drawing workers from the incorporated territories into the industries of Greater Germany. The composition of the foreign workers in Germany has changed. The number of French workers, for example, increased from 48,500 in September, 1941, to 160,000 in May, 1942; similar increases were reported in the numbers of Belgian, Dutch and Italian workers. The total number of foreign workers, however, remained unchanged, which means that Hungarian, Slovakian and Roumanian workers were mobilised for military service.

At present, the main source of additional labour seems to be prisoners of war, who are not included in the official statistics. The number of employed prisoners of war, mainly on the land, rose from one million in January, 1941, to 1.5 million in September, 1941, and may now have reached at least 2.5 million. If Germany's effort during 1914-18 is taken as a guide, it can be estimated that the utmost number of men that Germany can mobilise for military service from her present increased population is about 17 million, that is, 80 per cent of the entire male population between the ages from 18 to 47 years. If this figure has been reached, it means that some 15 million men had been mobilised since July, 1939, which seems a stupendous total. The most conservative estimates of losses in manpower since the beginning of the war, and of the men required for the occupation of a great number of countries, and the necessity of training at least two classes of men at a time, make it clear that the total number of men mobilised up to the present period cannot be far from 16 millions. This would mean, after deducting at least four million losses in dead, wounded and prisoners, a total strength of roughly 12 millions. The ceiling has been reached. The great number of additional workers brought in have made this total mobilisation possible. Now every soldier killed or permanently disabled is an irreplaceable loss—after the classes who have been trained during the winter and spring have been used up.

This explains why Germany's allies have been called upon to provide more soldiers. The grand total of the population of the allied and satellite countries, that is, Italy, Slovakia, Hungary, Roumania, Croatia, Finland, is about 94 millions, or about the same as the population of Greater Germany. This seems an enormous reserve. But these predominantly agricultural countries would be crippled if they were mobilised to the hilt; their armies must, moreover, be equipped by German production. The European countries under German occupation are inhabited by roughly 101 million people. All of them have either lost great numbers of prisoners, or sent considerable numbers of workers to Germany; their capacity to supply more workers for Germany is, to say the least, strained. Every calculation must be speculative and tentative, but the fact seems inescapable that Germany's striking power depends increasingly on millions of people of non-German nationality.

Department Stores.—The biggest German department store, *R. Karstadt A. G. Berlin*, points out in its annual report for 1941 that the value of the total turnover increased slightly compared with 1940. The value of stocks remained unchanged. The annual reports of other department stores show the same tendency. The volume of turnover fell greatly. Actually the stores are selling mainly rationed commodities. The explanation is that the prices of the main articles, such as textiles and clothing, sold by the stores have increased considerably. By value, the main groups of articles shared in the turnover as follows:—

	1938	1940	1941
	%	%	%
Foodstuffs.....	9.1	7.3	6.6
Textiles and clothing.....	60.4	58.0	60.0
Furniture.....	17.5	17.2	15.9
Miscellaneous.....	13.0	17.5	17.5

The fall in the turnover of foodstuffs, where prices have been more closely controlled, is obvious. It shows at the same time that non-rationed foodstuffs, such as poultry, and fruit, in which the stores specialised before the war, have disappeared. Prices of textiles and clothing are on an average 50 per cent above the level of August, 1939, and this is explained by a genuine increase in the costs of production. The share of miscellaneous articles has considerably risen during the war, which reflects higher prices for unrationed commodities. The most interesting point is that the number of customers is now greater than before the war, which indicates concentration in the retail trade. Sales are now

more evenly spread over the whole year. Male employees of military age have disappeared completely and all reports speak of labour difficulties.

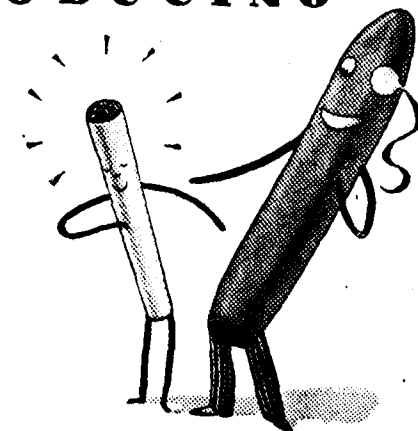
★

Co-operative Aid.—The continued wave of concentration has put new and heavy demands on the system of co-operative aid for closed down industries which was introduced in 1939. By imposing a levy on the entire industry a fund of Rm 32 millions had been accumulated during 1939-40. At the beginning of 1942, roughly 3,000 applications for financial aid for maintaining factories and shops had been received, and roughly two thirds of the funds had been paid out to applicants, half of whom belonged to the stone-quarrying and earthenware industries. The situation has now changed and the list of new applicants is headed by the textile industry. Greater funds are needed to meet requirements and the banks will also contribute to the funds. It appears that, for the first time, the larger and more modern factories, which have had to close down under the new scheme of concentration, have applied for financial aid.

★

Textile Fibres.—Concentration in the artificial textile fibre industry under German domination continues. The three leading Dutch manufacturers—*AKU, the Hollandsche Kunstzidje* and the *Kunstzidjespinnerij Nyma*—have combined in an "efficiency co-operative." The German concern *Vereingte Glanzstoffgrupp* has close connection with *AKU*, which in its turn has subsidiaries in France, Spain, and Italy. The manufacture of cellwool with straw as the raw material will shortly begin in Holland. Collaboration between the German and French industries has become even closer. The concern *France Rayonne* is building new capacity on the basis of beechwood, after the example of German concerns, which own 33 per cent of the capital of *France Rayonne*. The German *Phrix* group owns 26 per cent of the capital of the Spanish company *Fefesa*, which will begin production this autumn, also using straw. The *Norsk-Cellulfabrik* in Norway and *Fabela* in Belgium are also using German patents.

INTRODUCING—



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THE BUSINESS WORLD

Companies' Liquid Resources

ONE of the commonest complaints about the effects of EPT is that the tax will tend to exhaust the liquid resources of those paying it, and so to complicate still further the process of post-war adjustment. If this contention is correct, its effect should by now be apparent in the relation between floating assets and current liabilities in company balance sheets. With the object of providing an answer to this question, and of throwing light on a number of cognate problems, an analysis has been made of a batch of accounts, 416 in number, presented during the first quarter of the current year. In view of the growing practice of lumping all current liabilities other than bank debts under one heading, only two items can be presented on that side of the account. Liabilities all too frequently include reserves for contingencies, and the whole value of the movement in *net* floating assets depends on the extent to which these contingencies mature. It is, however, reasonable to assume that their inclusion under current liabilities is some sort of guarantee that the contingency in mind is not the post-war replacement of plant.

Current liabilities exclude inter-company debts, and include final dividends and other payments, shown as due in the report, whether they are so included in the accounts or not. Similarly, debtors exclude inter-company loans and include payments in advance. The other items are self-explanatory, except that it must be borne in mind that most companies do not state their holding of gilt-edged securities separately, so that the figure of Government securities applies only to a moderate and by no means random sample of the whole. Other investments exclude, so far as may be, not only holdings in subsidiary and associated companies, stated as such, but definite trade investments of a permanent character. The types of company covered are those contained in *The Economist* profits index, but no accounts of oil, rubber or tea companies with financial years ending in the fourth quarter were received.

The accounts presented in the first quarter of this year were made up to dates ranging from March, 1941, to February, 1942. It is doubtful whether the aggregate figures are of any value; but they are given as material for those who care to use them. Further, it was necessary to split the accounts into three groups: First, those without subsidiaries or whose subsidiaries were of such modest importance, relative to the parent, as not to call for a consolidated balance sheet; secondly, those which presented a con-

solidated account; and thirdly, those for which a consolidated statement was desirable, but which did not provide one. The numbers of companies in these three groups were 301, 30 and 85 respectively, but the aggregate floating assets of the third group exceeded those of the first two combined. This is further evidence of the highly unsatisfactory nature of British company accounts to-day, for the absence of consolidated balance sheets makes it impossible to draw any really valid conclusions from the figures of the third group.

In the circumstances it has seemed most helpful to concentrate, in this first tentative survey, on the figures of 212 companies of Groups I and II, whose accounts were made up to some date in the final quarter of the year, usually to December 31st. Figures for three years are given in the second part of the table at the foot of this page. It will be seen that, with the exception of bank loans and other investments, every item shows a rise in each year, but that the increase was much more marked in 1940 than last year, except for debtors, where the expansion was only slightly less in the later period. While there is reason to suppose that the percentage increase in the figures, even of those industries working for the Services, underestimates the average expansion of output, there would appear to be no justification for assuming that the factors involved vitiate the comparison between the yearly fluctuations. A further dissection of the figures shows, however, that the slackening in the rate of increase, particularly in the items debtors and stock-in-trade which best reflect activity, is due entirely to measures taken to restrict private consumption. A group of companies producing food, drink and tobacco, and distributing these and other goods, shows a modest decline in total floating assets during 1941 after an increase, which was above the average, in 1940. Meanwhile, the total increase in the case of other manufacturing companies was little changed, while that in debtors and stock increased in the later period. The value of these figures as an indication of the physical volume of stocks is reduced by lack of information about the basis of valuation, but the general conclusion, that there was substantial progress last year, but, according to this small collection, little in 1940, in the switching of a larger share of total effort to the production of war material, appears to be valid. The relevant figures for two groups of companies, the one catering solely for the individual and the other

producing mainly capital goods are given in the following table:—

	Accounts to last Quarter of Year Figures in £1,000,000's					
	Consumption Goods			Capital Goods		
	1939	1940	1941	1939	1940	1941
Bank loans	0.8	0.5	0.5	1.2	1.0	1.6
Other current liabilities	13.8	20.6	18.9	25.9	34.2	44.5
Total	14.4	21.1	19.4	27.1	35.2	46.1
Cash	12.1	13.5	12.6	7.8	8.2	9.4
Debtors	6.6	6.7	5.9	19.0	22.3	26.9
Stock-in-Trade	14.8	16.8	16.9	22.3	25.3	29.1
Government Stocks	3.0	7.5	8.3	5.9	7.6	6.6
Other non-trade investments	3.1	5.1	3.8	2.3	3.1	3.0
Total	39.6	47.6	47.5	57.3	66.5	75.0
Net floating assets	25.2	26.5	28.1	30.2	31.3	28.9

If the general picture of British industry, as presented by the 212 companies, is taken as a whole, it will be seen that the rise in *net* liquid assets was virtually arrested last year. Actually, the small increase is less than the amount received by four shipping companies in respect of ships lost during the twelvemonth. Further, it will be seen from the table above that there was an improvement for the capital products group in the earlier year and a falling off in the later one. This may well owe something to the basis for the calculation of stocks, and possibly even more to the composition of the current liabilities item; but it suggests, in the context of rising prices and turnover, that liquid resources are less adequate. It must, however, be remembered that there is a 20 per cent refund of EPT, of which the accounts take no cognisance, while it is not improbable that, where the tax has not been fixed, the allowance for it under contingencies is on the generous side.

Another matter of some interest is the degree of liquidity of the actual floating assets. It will be seen from the percentage figures, given in the second part of the first table, that the proportion held in investments has declined despite a sharp percentage increase in holdings of Government paper of one sort and another, including Tax Reserve Certificates. The really large increases are in debtors and stock-in-trade, and, as already suggested, the published figures understate the case in this respect. In actual figures, there is a decline in other investments in the two-year period, and since this figure, in all probability, conceals a considerable rise in holdings of gilt-edged stocks, the real

fail has probably been substantial in amount. With fuller figures, it may be possible to make a guess about the extent of the expansion in the total holding of the Funds, but it is a pity that all companies are not required to provide a reasonable classification of their investments.

In normal times a decline in the ratio between floating assets and current liabilities, and the fact that well over half the total absolute increase in the former was in debtors and stock-in-trade, would cause misgiving, which would be in part offset by the growth in gilt-edged holdings. In existing circumstances the reverse may prove to be the right attitude, at least as concerns the distribution of the assets. It is improbable that the consumption trades are making bad debts, and such stocks as they have should prove a source of profit; but if the decline in the ratio is real, and if it continues, a serious position may result. The increase in net liquid assets during the two years is only some 4.76 per cent. It represents 17.7 per cent on the 1939 value of stock-in-trade, and to restore the companies to their position at that time the physical volume of that item has to be maintained and capital losses made good. The rise in wholesale prices on the two years, according to the Board of Trade index, was 28.9 per cent.

There is some indication that the figures may not be representative in the fact that the rise in net liquid assets is distinctly higher, both for the 416 companies reporting in the first quarter and for the 53 concerns in the third group, the relevant figures for which are given in the final section of the table on page 18.

The figures serve to stress the relatively small part played by bank finance in industry today, but they should furnish some guidance about the total of bank advances which are made to industry and the extent to which industry is responsible for their fluctuation. Unfortunately, so few companies differentiate between cash in hand and cash at bank that it has not been worth while to prepare separate figures. It will, therefore, be difficult to estimate the extent to which bank deposits are received from industry and trade without some guidance about the change in companies' holdings of currency, itself a matter of speculation.

Finally, since the figures are an investigation of the liquid position, no attempt has been made to bring in either repayments of capital or new expenditure on fixed assets. If this could be done, some measure of new investment or dis-investment would be provided. But here again inquiry is balked by the inadequacy of information in British accounts, for while repayments of capital are easily traced, there is seldom any means of discovering the absolute amount devoted to new capital expenditure.

Finance and Banking

Credit Expansion

In the general opinion, the turnover of money on the final day of June was as large as any in the history of the market, and the special assistance needed to prevent credit stringency was also substantial. By allowing end of June maturities both of Treasury bills and Treasury deposits to run off, the banks and the market forced the Treasury to expand credit by £36.3 millions of ways and means borrowing from the Bank of England; but the banks nevertheless called in the 'bulk' of the 'bad money' against which the market had been financing its heavy Treasury bill allotments in the later part of the month. Fortunately, the market was well provided with short-dated maturities acceptable to the special buyer, whose purchases were estimated at more than £20,000,000. That special buying should have been necessary on so large a scale is partly explained by the Bank return, which shows that some £11,000,000 of the additional credit was absorbed by a contraction in the reserve, as the counterpart of note withdrawals, and by an increase in public and "other" deposits. Bankers' deposits consequently show a rise of only £38 millions to £171.6 millions, notwithstanding an addition of £49 millions to the Banking Department's securities holdings. These movements naturally do not show the full extent of the credit expansion over the turn of the month, when bankers' deposits probably reached £190 millions. The note circulation reaches a fresh record level of £801.6 millions, with a further expansion of £5.6 millions, against only £4.4 millions in the corresponding week last year. No doubt the rise is partly

explicable by end of the month requirements, but it may be noted that the resumption of the upward trend in the previous week was associated with a sharp relapse in small savings.

* * *

Book-keeping of Canadian Aid

The importance of Canada's assistance to this country is attested by its influence on the national accounts. Thus the remarkable buoyancy of revenue in the first quarter of the financial year is partly due to the inclusion under this heading of £98.1 millions in respect of Canadian Government contribution, representing some £435 millions of the \$1,000 millions gift. Even if this factor is excluded, however, revenue from domestic sources shows a rise of over £137 millions. It will be recalled that in addition to the \$1,000 million gift, Canada agreed to convert \$700 millions of accumulated sterling into a loan free of interest until after the war, when an appropriate rate of interest and terms of repayment are to be negotiated. This operation has now been carried out and is reflected in the June debt return in the conversion of £157.3 millions of Treasury bills into "other debt." Another operation which must have its main counterpart in the redemption of Treasury bills into "other debt." Another operation which must cent Funding Loan, 1959-69, for the National Debt Commissioners. It would, therefore, seem that the apparent decline of £141.8 millions in Treasury bills outstanding

	416 Companies reporting in First Quarter, 1942			212 Companies (Groups I and II) with Accounting Years ending in Fourth Quarter						52 Companies (Group III) with Accounting Years ending in Fourth Quarter		
	£000,000's			£000,000's. Per cent of Gross Floating Assets						£000,000's		
	Second Preceding Year	Preceding Year	Latest Year	1939	"	1940	"	1941	"	1939	1940	1941
CURRENT LIABILITIES												
Bank loans, etc.	6.7	5.4	7.9	3.2	...	2.6	...	2.9	...	2.6	1.6	3.5
Other current liabilities	161.7	207.8	240.3	45.7	...	62.3	...	71.6	...	69.0	90.7	102.3
Total	168.4	213.2	248.2	48.9	...	64.9	...	74.5	...	71.6	92.3	105.8
FLOATING ASSETS												
Cash	61.3	67.0	75.0	23.1	12.3	27.3	13.1	28.5	13.0	16.8	18.7	21.1
Debtors and pre-payments	101.9	120.5	134.8	29.7	15.8	33.7	16.1	36.9	16.8	42.5	53.7	60.8
Stock-in-Trade	163.5	188.2	200.6	37.3	19.9	44.0	21.0	48.1	21.8	93.5	104.4	109.6
Government Securities	26.9	41.1	53.2	10.6	5.6	18.1	8.7	19.8	9.0	7.9	14.9	16.3
Other (non-trade) investments	167.4	166.6	168.6	86.9	46.4	85.9	41.1	86.5	39.4	15.6	15.8	16.3
Total	521.9	583.4	632.2	187.6	...	209.0	...	219.8	...	176.3	207.5	224.1
Net floating assets	352.6	370.2	384.0	138.7	74.0	144.1	68.9	145.3	66.2	104.7	115.2	118.3
Net advances to subsidiaries and associates										7.2	7.4	6.7
Adjusted total										111.9	122.6	125.0

return on others is very moderate. More interesting than the actual terms, which have been set out below, is the method of covering any balance of new stock offered not taken in conversion of the old. In return for a commission, which has so far worked out at about $\frac{1}{4}$ per cent, underwriters of the issue guarantee to take any stock not applied for in conversion, and to retain it. Only insurance companies, investment trusts and similar undertakings will be accepted as underwriters and the object of the arrangement is said to be the familiar one of preventing competition with the Government's own issues. This may be the intention, but it is difficult to see that it does any more than substitute for the potential demand of the underwriters on the market the actual demands of those holders who do not accept conversion. The Treasury has already intimated to insurance companies that a purchase of any but its own issues would be considered against the national interest—and has probably given a similar hint to other institutions—so that the arrangement seems more calculated to grant relief to these institutions than to assure the utmost demand for Government stocks, since there is substituted for a demand which is controlled, one over which the authorities have little or no means of influence.

The Conversion Offers

In addition to the brewery offers, Plymouth now announces the terms for the conversion of a part of its maturing 3 per cent stock, while Crosse and Blackwell are repaying the whole of their 6 $\frac{1}{2}$ per cent debenture, not a part, which was all they were prepared to do when they sought Treasury sanction some time back. Details of the various offers are given in the table below. The issue prices are net of any cash payment which is to be made to those accepting conversion of the old stock. The redemption dates for the new stock are the latest possible and most of them are to be repaid over a period of years.

Name	Amount Repayable	Rate %	Repaid at	Amount Offered	Rate %	Date Final	Issue Price
Bass	1,982,511	5 $\frac{1}{2}$	101	1,500,000	3 $\frac{1}{2}$	1976	101
Courage	324,715	5 $\frac{1}{2}$	105	324,715	4	1979	102
Portsmouth & Brighton	230,000	4 $\frac{1}{2}$	101	438,340	4	1973	99
Crosse & Blackwell	208,340	6	101				
	1,179,564	6 $\frac{1}{2}$	100				
Plymouth Corpn.	981,242	3	100	600,000	3 $\frac{1}{2}$	1982	100

It will be seen that in addition to the Crosse and Blackwell repayment, Bass and the Plymouth Corporation are both paying off considerable sums. The terms of Plymouth appear a trifle meagre, but the 3 per cent stock of Aberdeen, with a maximum life three years greater, stands at some 98 $\frac{1}{2}$ after deducting accrued interest in the price. With the exception of the last named the new issues should be attractive to raise the very modest return obtainable in trustee securities.

Nominee Holdings

In reply to a question in the House last week, the President of the Board of Trade stated that the Defence Regulations give the necessary power to compel disclosure of the real ownership of shares held by nominees, and that it is within the discretion of the Minister, to whom the facts are disclosed, to publish the information. On the larger subject of a general prohibition of nominee holdings, he stated that Parliamentary time is not now available for the alterations of the Companies Act involved. This reply seems to betray a complete lack of appreciation of the importance which a large and growing section of the public attributes to proper publicity in these matters. It is symptomatic that in only one case has the public been given any information as to beneficial ownership in the cases where it has been specifically sought, and that there is no other case on record where disclosure to the relevant Minister has been demanded. The more general aspect of this matter was dealt with in *The Economist* of April 11th. Since then several questions

have been asked in Parliament, all with negative results. Nominee holdings are, however, only one of many points of company law and practice which urgently need overhaul. It is no exaggeration to say that it would constitute a considerable stimulus to the war effort to bring both law and practice more in line with modern thought. The trouble is, of course, that consent cannot be secured without lengthy discussion. If this is impossible in time of war, it is a matter which should have a high priority among post-war measures of reconstruction, and it would do good if the need for reform were officially stressed, and a preliminary investigation were set on foot now. It is too commonly assumed that purely physical needs are the only ones which are worth consideration at this stage, whereas much that is best calculated to affect morale and the war effort lies in the sphere of removing, both misapprehensions, and solid grounds of complaint.

Company Notes

"Shell" Earnings Recovery

The maintenance of the tax-free ordinary dividend on "Shell" Transport and Trading at 5 per cent, by a second interim of half that amount, announced at the beginning of last month, had left the price of the shares virtually unchanged. The full accounts, now to hand, show a fall in income from £2,382,822 to £2,367,778, and after meeting fees and maintaining the dividends, it is possible to raise the carry forward from £519,794 to £586,540. The accounts are as uninformative as ever, and the only movements of any importance in the balance-sheet are falls of about £315,000 each in the value of properties and interests, and in cash, more than offset by rises of £775,000 in investments and £144,000 in debtors. The net increase has been financed by the significant expansion of £218,000 in unclaimed dividends to £369,000. If the accounts are not helpful, the same cannot be said of Lord Bearsted's statement. As the market price of the ordinary shares gives the net assets a value not much short of twice their balance-sheet figure, the market may not attach much importance to his assurance that, after all losses to date, properties are still worth the figure they stand at. Of more immediate interest are his reminders that, while the group will get much new and up-to-date installation and equipment after the war, these will take time to build, and that, while results for the current year to date are better than those of a year ago, the outlook for the whole year is uncertain. There is also a largely post-war interest in the news that a new field of commercial importance has been discovered in Colombia. He was also able to give the news that no negotiations had been undertaken about the Mexican Eagle property, a statement which caused severe disappointment among some of the optimists of the oil share market. From several angles the effect of the statement is to stress the extreme importance of the American interests of the group, and the fact that the expansion in refining capacity is taking place in that country. Lord Bearsted is, however, probably satisfied that the increased demand for products will not be of an ephemeral nature, for, in commenting on the anxieties of shipping and civil aviation concerns as to post-war competition, he expresses the view that there will be plenty of room for both, and, presumably, plenty of demand for petroleum products. Since the date of the dividend, events in the North African theatre have caused a net fall in the price of "Shell" ordinary of some 4s. to 4s. 7 $\frac{1}{2}$ d., at which the yield is £4 7s. 9d. per cent, less tax.

Elder Dempster Assets

A further layer of blackout has been interposed between the shareholders of *Elder Dempster Lines Holdings*, and the facts of the operating company's working. The latter ceased to differentiate between different sources of revenue in 1937; in 1940 it gave earnings net of all costs, other than directors' fees, and for 1941 it gives profit after taxation and deferred repairs. This figure of £385,916 appears to compare with one of £537,495 for 1940. If so, the fall is almost entirely made good by the fact that depreciation is cut from £318,475 to £179,293, leaving the percentage earned on ordinary capital unchanged at 16.4. The dividend is repeated at 10 per cent, and this enables the Holdings company to repeat its distribution of 9 per cent, announced rather over a fortnight ago. The operating company again adds £75,000 to reserve and slightly increases its carry forward, but the Holdings company has

to make a small draft on the amount brought in to meet the dividend. If the profit and loss account of the operating company is uninformative, the balance-sheet is eloquent. The principal items of both are set out below, together with comparisons for the two preceding years:—

	Years ended December 31st, 1939	1940	1941
Fleet valuation	2,513,000	1,853,075	985,890
Depreciation of fleet	300,000	300,000	155,597
Fleet Replacement Account	—	990,525	2,123,194
Government Tonnage Account	—	302,600	765,500
General Investments	772,000	2,042,456	3,685,236
Net liquid assets†	681,000	2,465,000	4,312,319
Earned for Ordinary	206,717	217,520	205,122
Paid on ordinary	143,125	132,500	125,000
Paid %	9	10	10
Earned %	13.0	16.4	16.4
Holding Company	8	9	9
Paid %	—	—	—

† Excluding inter-company items.

As will be seen, there is a reduction in the fleet valuation in 1941, before deducting depreciation, of some £867,000, while the company's fleet replacement account is up by £1,133,000, suggesting that £2,000,000 has been received on account of ships lost. This follows on a corresponding figure of £1,350,000 during 1940. There is also a further credit of £462,900 in the GTRA, which can only be drawn upon as tonnage is actually replaced. The bulk of the funds received have gone to swell gilt-edged holdings by some £1,676,000. A rise of £929,000 in the omnibus item sundry creditors, voyage accounts, taxation and reserves for repairs, may be set against rises of £824,000 in cash and £340,000 in debtors. Stocks are also a trifle higher, and a loan of some £40,000 to a subsidiary is substituted for borrowing of some £36,000 from one a year before. It is impossible to extract any detailed information as to results from these figures, but it would seem that earnings from the ownership and management of ships must still be very substantial, since the annual net income from investments at the increased figure shown in the balance-sheet, could scarcely exceed £75,000. The shares of the Holdings company stand at 27s., giving a yield of £6 13s. 4d. per cent.

Distillers' Preliminary

According to the preliminary statement, the profit after fees disclosed by Distillers for the year ended May 15th last is reduced from £2,110,936 to £1,962,168. In 1940-41 there was added back to profit a sum of £78,137, not included above, representing the difference in tax on the final dividends of 1939-40 due to the raising of the rate to 8s. 6d. No similar windfall accrues to the company in 1941-42. Since the disclosed profit is computed after depreciation on buildings, plant and investments, as well as tax and contingency provisions, it is not possible to assess with any accuracy the actual results of the year's trading. Nevertheless, it appears that the company has well withstood the strain of restrictions on domestic sales of spirits, increased prices of raw materials and possibly reduced exports. At current rates of tax, the preference dividend, which last year absorbed £70,950, should require some £66,000, while the allocation to the fire insurance fund is reduced from £225,000 to only £100,000. Hence, it can be assumed that the ordinary dividend, which is maintained at 16 $\frac{1}{2}$ per cent by a final of 10 per cent, including a bonus of 1 $\frac{1}{2}$ per cent, is covered by earnings but little lower than the £1,814,986 of last year. The allocation to reserve is reduced £100,000 to £500,000, but the difference is placed to a newly created war contingency fund. The higher current rate of tax should reduce the net payment on the equity from £1,286,256 to approximately £1,216,096, and possibly on account of this the draft on the carry forward, swollen last year by the addition of £78,137 tax rebate to £544,139, is hardly £20,000. On the news of the maintenance of the dividend the £1 ordinary stock rallied to 74s. 3d., at which the yield is some £4 8s. 9d.

Ironfounders' Recovery

The full accounts of Allied Ironfounders for the year to March 31st last leave no possible doubt that, after two disappointing years, the group has found its niche in the war effort. The revenue, consisting almost entirely of dividends less tax from subsidiaries, is up from £114,853 to a high record of £322,259, while the actual earnings of operat-

ing companies, after all costs, depreciation and ARP, are £423,726 against £220,849. It is stated that the statutory provision for income tax, after taking account of credits from previous years, is £90,469, against £104,688, while the corresponding figures for NDC are £20,131 and £10,927 respectively. Further provision, by way of income-tax reserve, is made in the accounts of the parent company of £110,000, compared with £25,000 a year ago. This and preference dividend are almost the only charges against revenue, and the amount earned on the ordinary capital jumps from 6.0 to 19.8 per cent, while the distribution is raised from 6 to 12 $\frac{1}{2}$ per cent for the first time since 1935. Revenue and its appropriation for the past three years is set out below:—

	Years to March 31st, 1940	1941	1942
Total Revenue	113,677	114,853	322,259
Directors	2,811	2,827	7,909
Tax Reserve	—	25,000	110,000
Preference div.	41,773	36,019	35,962
Ordinary shares:—			
Earned	69,093	51,007	168,389
Paid	53,372	50,639	106,374
Earned %	6.5	6.0	19.8
Paid %	5	6	12 $\frac{1}{2}$

Reserves 178,197 | 179,617 | 160,000 || Carry forward† | 178,197 | 179,617 | 183,706 |
| † Of which half to General and half to Contingencies Reserve. | | | |
| ‡ After crediting tax refunds of £1,558, £1,052 and £2,014. | | | |

The report gives no clue to the cause of the improvement, but the statutory balance-sheet shows substantial expansion in net loans to subsidiaries, while the consolidated statement suggests a considerable expansion in business, which can scarcely have occurred in normal domestic equipment, unless the construction of new dwellings for displaced workers is on a scale far greater than was supposed. Fixed assets of the group show a slight decline, while floating assets are up by £346,122 to £1,694,790. Against this there is an increase of only £125,855 in creditors, including the final dividend of the parent. In consequence the excess of the book value of holdings in subsidiaries—in the accounts of the parent—over the tangible assets of the companies in question is reduced from £323,201 to £161,351. The principal rises in floating assets are some £101,000 in stock in trade and £134,000 in debtors. The £1 ordinary shares of Allied Ironfounders stand at 28s. 9d. ex dividend, giving a yield of £8 13s. 11d. per cent.

Plaster Board Surprise

It has always seemed that the principal products of British Plaster Board should be adaptable to the exigencies of wartime construction and repair, and there was some surprise, if not at the decline in 1939-40, at least in the failure of profits to recover in the following year. Now, apparently, the expected has happened, for the directors have declared a final dividend of 15 per cent, making 25 for the year ended March 31st last, against 15 per cent for the previous year. Taking account of the 100 per cent share bonus, given in 1940, this is as good as the best touched in the 35 months ended March, 1939, and compares with a 15 per cent distribution, on the basis of the present capital, for the first year of the company's existence as a public body, namely, 1932-33. A preliminary statement of results shows that consolidated earnings of the group, available for dividends, have increased to £390,969, from £214,383, while the corresponding figure for the company is £357,827, compared with £211,203. After writing back tax these appear to be new high levels, giving a percentage earned on the ordinary capital of around 44, compared with 24.6 per cent for 1940-41, and a previous high, equivalent to 35.8 per cent on the present capital, for 1936-37. The market gave the news a good reception, marking the 5s. shares up to 23s., at which the yield is £5 10s. 6d. per cent.

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OTARD'S

COGNAC BRANDY

Industry and Trade

The New Landlord

Almost unnoticed, the ownership of Great Britain's vast coal estate, estimated at 190,000 million tons, passed from private interests to the state last Wednesday. The decision to nationalise Great Britain's coal resources was taken almost exactly four years ago—the Coal Act was passed on July 29, 1938. The legal ownership of the coal is vested in the Coal Commission set up by the Act. The Commission, which was appointed by the Board of Trade, consists of a chairman (Sir Ernest Gowers) and four other members, all independent of the coal-mining industry. Two of the members must have had practical experience in coal-mining, one of them in the capacity of wage-earner. The function of the Commission as landlord is to promote "the interests, efficiency and better organisation of the coal-mining industry," but it is not to engage in the operations of mining other than searching and boring for coal. Under the Act, the Board of Trade was given power to give "general directions" to the Commission, in matters affecting the national interest. The nationalisation of the coal estate will not have any immediate effect on output, but it will facilitate the reorganisation of the mining industry, which remains a private enterprise. The price of acquisition, to be financed by a loan, was fixed at £66,450,000, on the basis of fifteen years' purchase of the income from royalties. The process of valuing individual claims has not yet been completed, but the Coal Commission is empowered by the Coal Act, 1938, to make payments on account, pending the completion of the valuations.

Soft Drinks Concentration

Nearly 150,000,000 gallons of soft drinks are produced annually in Great Britain, in hundreds of factories, using labour, machinery, transport, home produced and imported raw materials. The soft drinks industry is now under the axe of the Ministry of Food Concentration Committee. It is expected that over 200 factories will be released in the first stage of concentration and further concentration may occur later. The objects of the scheme are the same as those set in other industrial concentration schemes. According to Ministry of Food plans, concentration will not affect the actual quantity of soft drinks available to the public. Not only is production to be concentrated, but also the drinks themselves. They can then be diluted by the consumer. The quantity of ready-to-drink drinks is to be reduced. This change in production will mean first of all a large economy in transport. It would be easy to reduce the output of soft drinks of 150,000,000 gallons by a third, and this would mean a saving of nearly 750,000 tons of transport (calculating about 30 lbs. to a gallon, including the bottles and crates). A sector scheme for transport and production will also be introduced, special consideration being given to those districts where the population, and especially the working population, has greatly increased since the war. Problems of compensation and finance are complicated, but it is expected that the industry itself will find a way of solving them. It is noteworthy that the Ministry intends to abolish entirely the names of the manufacturers on the labels, and, as well as controlling minimum standards, to impose a national label. This is the first time that the Ministry has decided to introduce a national label for a branded food product. In the case of jam, sweets, chocolates, pastes, and so on, standards were introduced, but manufacturers were allowed to produce the goods under their own name. The scheme is not yet worked out in detail, and some changes may be introduced to meet the wishes of the trade. A wartime association for the industry with a compulsory membership was formed under the direct control of the Ministry of Food some weeks ago and all the plans are swiftly being put into operation.

Milk Distribution

Rationalisation of milk deliveries, on the basis of the White Paper on Milk, published on May 26th, has already begun in some areas, and the Ministry of Food has issued notes of guidance for local committees of the war-time associations of retail dairymen. The Ministry recommends that schemes should be so planned as to maintain deliveries every day during the summer months, to ensure the most

efficient use of processing and bottling facilities, premises and equipment. The loss to the consumer of his choice of supplier must not involve any loss of quality, and provision is recommended whereby the consumer gets the kind of milk to which he is accustomed. Detailed guidance is given on the constitution of local associations and committees. Each association must include all retailers in the area who deliver milk, and the committee must have a representative on it of every type of retailer in the area. Voting of members for the purpose of electing the committee and of general policy is to be proportionate to the quantity of milk sold, but the committee of management is to have one vote per person. Schemes must be submitted to the Ministry of Food for approval, and minorities are allowed to submit reports. The consumer will accept rationalisation of milk deliveries with as good a grace as he accepts all other restrictions on choice, if rationalisation is efficiently managed.

Quality of Milk

The restriction on consumers' choice which is involved by schemes of distribution planned to save transport are made less irksome by the standardisation of the articles involved. There is indeed a duty in this respect to see that no consumer suffers by being compelled to purchase inferior goods. Manufacturing specifications are laid down by the Ministry of Food for most of the foods covered by the sector scheme which is to begin on August 24th. As part of the new milk policy, milk is to be tested and classified under three headings: market, salvage and rejected. Thus, milk of poor keeping quality will not go to consumers, either directly or mixed with other grades. The market category will be added to the existing "T.T." and "accredited" classifications, all of which will supply the liquid market. Milk suitable for manufacturing processes will be paid for at "salvage" prices, and "rejected" milk will receive no price. The testing of milk for keeping quality is under the administration of the Ministry of Agriculture and has already begun. Facilities will be made available for technical advice to farmers and distributors on how to raise the quality of their milk to "market" standard. It is contemplated that, on the basis of the tests, milk may be paid for at different rates.

The Coal Bill

The increase in miners' wages, payable from June 1st, has been estimated to add £23½ million to the annual wages bill of the coal mining industry. The Government has decided that the bill should be met by the consumer. On Tuesday, it was announced that the Ministry of Fuel and Power had authorised an advance of 3s. a ton in the pit-head price of coal from July 3rd. The price of coal to the consumer has been raised correspondingly. The increase is not only in respect of the addition to the wages bill, but also covers higher costs already incurred in certain mining districts. Little news has been heard, since the Government's approval of the coal plan, of the steps taken to secure an expansion in output. It is to be hoped that output can be speeded up in time to enable the Ministry of Fuel and Power to accumulate a substantial reserve during the next three months.

Retail Trade Concentration

The recommendations of the retail trade committee's third report, Concentration in the Retail Non-Food Trades (commented upon in a leading article on page 4), fall roughly into two parts. One part deals with the position and commitments of the retailer who continues in business, and the other with the position and benefits accruing to the retailer who decides to withdraw. Since the retailer who continues in business will derive advantage from the withdrawal of other retailers, withdrawal is to be financed by the continuing firms.

1. A levy, based on turnover, is suggested, to begin at the rate of one per cent. The Committee considers that this rate should not be exceeded without further investigation, and that the levy should be considered as a business charge.

2. The levy would be paid into a fund to be known as the *Retail Concentration Insurance Fund*, to be used to assist traders to withdraw from retail trade for the duration of the scheme. It is assumed that the chief reason why traders operating at a loss remain in business is because contractual obligations (mainly rent) continue.

3. Assistance for withdrawal would be by means of *standard benefit* or *special benefit*. *Standard benefit*, it is recommended, should be at the rate of 5 per cent of the twelve months' turnover immediately prior to withdrawal. This benefit would be paid for the duration of the scheme, but would cease at the first opportunity provided by the lease. *Special benefit* is to meet the needs of retailers whose contractual obligations are small or of short duration; it would be paid at the same rate as the *standard benefit*, but only for a period of six months and with a maximum of £125.

4. The Committee suggests that provision should be made for the re-entry of traders into retailing after the war. A certificate granting rights of re-entry to the trade would be granted in all cases. Where benefit would be paid for the duration of the scheme, an additional certificate of right to re-occupy actual premises would be granted.

5. The levy would be *compulsory* on all traders with a turnover exceeding £1,000 per annum. Traders whose turnover is less would have the *option* either of paying the levy from the start of the scheme, and insuring for withdrawal benefit, or of contracting out of the scheme.

6. A section of the Report deals with the financial structure of the scheme—the basis of the levy, turnover records, machinery of collection and for benefits, and uses for empty shops. It is recommended that the scheme should be administered by a small *central authority*, consisting of persons of wide trade experience and independent persons of standing.

Backyard Hens

The shortage of balancer meal is likely to prove a sad blow to many of the million households with hens in the back garden. On October 1st, the end of the current rationing period for domestic poultry, a ration for one hen will be given only on the surrender from July 27th of a shell egg registration. Until October 1st, no cutting-down of poultry flocks will be necessary, since the ration at the rate of 4 lbs. of balancer meal for every bird up to 12 will continue. But the domestic poultry-keeper will be deprived of a share in the meagre egg supplies available for general distribution. Skilful hen-keepers, with large gardens or allotments, will probably be able to feed the same number of hens as before. Those who will suffer will be the town-dwellers, with small families and little space for producing extra food. They will have to face the problem whether the labour of keeping two or three hens is worth the eggs they produce. A good average hen may produce as many as 180 eggs a year, against a yearly ration of round about forty to the registered consumer. But three hens are nearly as much trouble as a dozen. The pooling of backyard hens may prove a solution in many cases. Priority egg consumers, who are entitled to four eggs for each one issued to the ordinary consumer, are to receive no priority in balancer meal for any hens they may have. It is perhaps rather anomalous that priority should prevail in one form of egg distribution, but not in another. An amendment is to be made to the Eggs (Control) Order, requiring owners of flocks of 25 birds (instead of the present 50 birds) or more, to sell their eggs to packing stations. Supplies of hens are likely to reach the table in larger numbers than in recent months.

Cereal Prices

Prices of the main cereal crops of this year's harvest were announced last February and discussions have presumably been proceeding since then on the prices to be paid on sales by growers, ex farm, in the months after the harvest. They were announced by the Ministries of Agri-

	Millable Wheat per cwt.	Minimum	Maximum	Oats per cwt.	
				Feeding	Milling
	s. d.	s. d.	s. d.	s. d.	s. d.
August-October, 1942	16 0	14 0	14 6	14 9	14 9
November	16 2	14 0	14 8	14 11	14 11
December	16 4	14 2	14 10	15 1	15 1
January, 1943	16 6	14 6	15 2	15 5	15 5
February	16 10	14 10	15 6	15 9	15 9
March	17 2				
April-May	17 6				
June	17 8	15 4	16 0	16 3	
July	17 2				

culture and Food on June 18th. Prices for millable wheat and oats are given in the accompanying table. Potentially millable wheat will be paid for at the same rate as millable wheat, less a charge for reconditioning, of not more than 2s. per cwt. The maximum price of non-millable wheat will be 14s. per cwt. throughout the season. Prices for rye of 15s. 6d., malting barley 35s., and feeding barley 14s. 6d. per cwt. will remain unchanged throughout the season. The maximum price of dredge corn is fixed at 13s. 6d. per cwt., but it may be produced only by re-sowing dredge corn of the farmer's own growing where wheat does not exceed 25 per cent of the mixture. The maximum price of feeding beans has been raised to 22s. per cwt. to encourage this crop; a maximum price of 35s. per cwt. has been fixed for feeding peas.

Pooled Tea Supplies

Negotiations for centralising tea purchases, which have been going on between the Governments of the United Nations for some weeks, have reached their final phase, and only some minor details remain to be settled. The value of centralised tea buying was stressed recently by the new boomlet on the Calcutta tea market, by which prices have been forced up by another 20 to 25 per cent; prices now quoted on the free market are more than 100 per cent above the average price of the last pre-war season. In spite of this highly speculative price development, the British Ministry of Food has been able to buy tea since the autumn of 1939 at the average quotation of the 1936 to 1938 seasons, plus minor additions covering increases in production costs since the outbreak of war. Under the new central buying scheme, the Ministry of Food will extend its buying contracts in the producing countries to cover the whole available surplus of production above domestic requirements. The tea thus acquired at a reasonable price will be shared amongst the consuming areas



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on the basis of their normal consumption. Besides excluding speculation the central buying and pooling scheme will facilitate tea shipments from the producing areas. The appointment of the British Ministry of Food as "managing agent" for the whole scheme is logical. Apart from the fact that this Department, by monopolising this country's tea imports, has contracted for more than half the world's tea surplus since the outbreak of war, tea available to the United Nations since the loss in the Far East, comes from three British areas—India, Ceylon and East Africa. It is expected that these areas will be able to supply about 750,000,000 lb. of tea this year, roughly

four-fifths of world tea shipments in the last pre-war season. This quantity could meet all normal requirements of the United Nations, although considerations of equal distribution would probably require a certain reduction of the quantities available to the United Kingdom, which on the basis of the current Ministry of Food contracts exceed 500,000,000 lb. this year. It is not unlikely, therefore, that the pooling of available tea supplies between the United Nations will sooner or later result in a reduction in the British tea ration, although only a month ago the Ministry of Food stated that such a cut need not be expected just yet.

INSURANCE NOTES

LONDON AND LANCASHIRE; NORTHERN; ROYAL

THE 1941 accounts of the *London and Lancashire* show higher premiums in the three major spheres of operation—fire, accident and marine; in the first two departments a factor improving the home revenues has been the conclusion of an arrangement with the Royal London whereby all the fire and accident liabilities of that company are now reinsured by the London and Lancashire. The fire department produced an excellent profit, notwithstanding another poor experience in the United States. The accident profit was less handsome, increased hazards in workmen's compensation and motor car insurance being responsible; here again the influence of the American account was no doubt important. In marine—written through the Marine and Standard Marine companies—the profit is arrived at after making a special provision for unexpired risks of £350,000 over and above the 40 per cent. reserve usually established by the London and Lancashire in this account. The chairman (Sir Frederick Pascoe Rutter) uttered a warning concerning the apparent prosperity of the marine department, and indicated that "it was not to be depended upon with any confidence in the immediate future, or after the war is over, when millions of chickens of all kinds will be coming home to roost." Life business is transacted through the medium of the Law Union and Rock, and new business at £1,384,000 is slightly less than in 1940, and about half the pre-war level, premium income remaining steady; pleasing features are a slight rise in the net interest rate, from £3 5s. 4d. per cent. to £3 7s. 5d. per cent., and the low figure for surrenders.

The underwriting profits of £612,000 are supplemented in profit and loss account by net interest earnings on the non-life funds of £340,000—a reduction of £49,000—making the aggregate credit transfers £952,000. Of this figure British taxation on profits takes £386,000. The chairman mentioned incidentally that the total cost of British and overseas taxation on premiums, profits and interest was no less than £958,000, and staff pensions and widows funds £60,000; after providing for the dividend (unchanged), absorbing £385,000, the balance of £3,509,000 carried forward is higher by £121,000. The balance-sheet position remains strong.

The *Northern* accounts include the figures of its associated companies, notably the London and Scottish, Provident Accident and White Cross, Indemnity Marine and World Marine and General. Premiums are substantially higher in all three principal departments. The fire department shows a profit of 3.3 per cent. against a small loss the previous year; the chairman (Mr A. S. R. Bruce) indicated at the meeting that the profit would have been better had it not been for the disappointing results of the business in the United States, where conditions continued to be difficult throughout the year. The very profitable accident account, which does not include an American portfolio, maintained its reputation. No profit is being released from the marine account, the directors preferring to keep a substantial surplus in the fund, which now stands at 139.3 per cent. of premium income, by comparison with 114.5 per cent. at the end of 1940. In the life department the net new business of £805,000 represents an increase of £100,000 on the previous year; the net rate of interest earned at £3 5s. 11d.

per cent. is less by 1s. 2d. per cent., but the continued downward tendency is the inevitable sequel to the investment of all surplus moneys in War Loans.

Aggregate transfers to profit and loss account, including net interest of £170,000 (a reduction of £26,000), come to £428,000. Income-tax on profits and N.D.C. absorb £133,000 and there is a transfer to contingency reserve of £50,000; after providing for pensions and certain miscellaneous charges, interest on debenture stock and the dividend (unchanged), the balance carried forward is £1,224,000, a reduction of £12,000 on the corresponding figure a year ago. In the balance-sheet the free reserves include a general reserve of £2,000,000 as well as the balance of profit and loss account.

In the case of the *Royal Exchange*, the revenue accounts do not include the figures of the important affiliated companies and, therefore, inadequately convey the magnitude of its operations. Aggregate premium income of all departments, as revealed by the accounts, is £4,827,000, but the total for the Royal Exchange and all its subsidiaries is £10,403,000. In keeping with the figures of other offices, premium income is higher in the fire, accident and marine departments. The improved result in the fire department is largely due to the level of business, but results from general overseas trading, other than in the United States, have also been satisfactory. Accident business also produced a good experience, although the level of profits is below that for the two previous years. From the marine department a small transfer has been made to profit and loss; the surplus is materially higher than a year ago, now amounting to 165 per cent. of the premium income. In the life department the net sums assured under new policies at £2,715,000 are higher by £500,000 than the figure for 1940; the chairman (Lord Bicester), in his statement circulated with the accounts, referred to the increase as "evidence of a remarkably healthy spirit prevailing in the public mind, and as showing a steadiness of outlook towards the future of this country." The Royal Exchange was one of the offices to take the lead in including war cover on new policies for civilian lives at normal rates of premium, and the chairman expressed satisfaction that this extended service had so far not imposed a heavy liability upon the company.

The profit and loss account, in addition to the underwriting profits of £233,000 receives net interest earnings on the non-life funds of £137,000 and a transfer of £9,000 from the trustee and executor department, making total credits of £379,000. Of this provision for taxation absorbs £110,000 and other expenses £96,000, and £20,000 is written off office property; the dividend at 30 per cent. (unchanged), less tax, takes £149,000, and the balance of £1,052,000 carried forward is slightly higher than that brought in. In the balance-sheet holdings of British Government securities have increased during the year by over £1,000,000, from £3,302,000 to £4,354,000.

The principal subsidiaries are the Motor Union, Car and General and State. The two former are primarily accident companies and both show higher incomes in the main account, coupled with good profits. In the case of the State, fire insurance is the largest department; premium income is higher and the result an improvement on the previous year although, excluding interest income, it represents a small loss. These three subsidiaries all maintain their dividends at previous rates.

PREMIUMS AND UNDERWRITING PROFITS, 1941

Department	LONDON AND LANCASHIRE				NORTHERN				ROYAL EXCHANGE			
	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	(£'000) 5,070	(£'000) + 191	(£'000) 276	(£'000) + 55	(£'000) 2,298	(£'000) + 269	(£'000) 76	(£'000) 98	(£'000) 1,636	(£'000) 132	(£'000) 99	(£'000) + 99
Accident	2,425	+ 161	127	+ 27	1,647	+ 94	178	29	1,210	152	83	+ 48
Marine	2,401	+ 312	201	+ 15	1,509	+ 175	...	...	575	77	21	+ 38
Total, excl. Life, etc.	7,896	+ 664	604	+ 13	5,454	+ 538	255	+ 69	3,421	341	203	+ 89
Life	737	+ 2	4*	...	996	+ 5	...	...	1,383	6	30†	...
Capital redemption	16	—	4	...	16	+ 1	...	...	23	7	...	...
Grand Total	8,649	+ 661	612	+ 13	6,466	+ 534	255	+ 69	4,827	+ 340	233	+ 89

* One-fifth of the Shareholders' proportion of the profits for the quinquennium 1935-1939.

† One-fifth of the proprietors' valuation surplus for the quinquennium 1936-40.

COMPANY MEETINGS

CABLE AND WIRELESS (HOLDING) LIMITED

LORD PENDER'S STATEMENT

The 13th ordinary general meeting of Cable and Wireless (Holding), Limited, was held, on the 30th ultimo, in London, the Right Hon. Lord Pender, Governor and managing director, presiding.

The following are extracts from the statement of the Governor circulated with the report and accounts:—

I propose to confine my remarks to the investment situation generally. In my review of the companies' reserve fund investments a year ago, I made reference to the firm prices ruling for high-class stocks and to the rise in British funds which had then taken place. As a result largely of the Government's financial policy, and with little setback on the receipt of unfavourable war news, this rise has been continued during the past year and has affected favourably most sections of the list of marketable securities.

VALUE OF INVESTMENTS

The book value of our investments at December 31st last was £16,208,058 and the market value was £14,413,180, showing a depreciation of £1,794,878 or 11 per cent., as against a depreciation of 19 per cent. at December 31, 1940. The total investments have been increased by a very substantial amount, as a result of further subscriptions to the various new Government issues. About 93 per cent. of the total market value of the investments is represented by securities within the British Empire. Income from the investments received in 1941 amounted to £539,453, compared with £540,234 received in 1940.

In the face of so many uncertainties it is, of course, impossible to express any

opinion on the future of security values, but it would seem that the future value of all investments must largely depend on the wisdom of those who will be called upon to fashion our post-war economy and that any attention that can, without detriment to the war effort, be devoted now to the study of the problems involved is likely to stand us in good stead later on. Every effort is being made to agree the liability of the companies for Excess Profits Tax. This has not yet been settled but satisfactory progress is being made in the negotiations. It is estimated that the profits retained by subsidiary companies will be sufficient to meet any liability that may arise.

OPERATING COMPANIES

Having regard to the character of the work upon which the company and the group as a whole is concerned, it will be appreciated that I am again unable to give you the detailed survey of operations which it was always my custom to lay before you, but I can say this, both of the principal companies, Cable and Wireless, Limited, and Marconi's Wireless Telegraph Company, are continuing to do most important work under the able chairmanship of Sir Edward Wilshaw, K.C.M.G., and Admiral H. W. Grant, C.B., respectively.

You will also need no assurance, I am convinced, of the vital role the associated companies continue to play in the prosecution of the war, and I here pay tribute to their loyal and zealous staffs, constant in their maintenance of the best traditions of the telegraphic services both at home and overseas. It is my invariable custom never, either in good days or bad, even to attempt to forecast what the company's fortunes may be ahead. Of one thing, however, I am certain: what we shall reap in the days to come depends entirely on the direction and intensity of our efforts to-day. We have one immediate and common task before us, to give of our utmost in the cause of freedom—to win the war.

The report was adopted.

LONDON ELECTRIC WIRE COMPANY AND SMITHS, LIMITED

SATISFACTORY RESULTS

The thirty-third annual general meeting of this company was held, on the 26th ultimo, in London.

Mr W. J. Terry (chairman and managing director), in the course of his speech, said: The profit and loss account balance of £89,581, after fully providing for taxation and contingencies, shows a reduction of £8,435, which may be regarded as satisfactory in the circumstances.

During the year supplies of some of our raw materials have been restricted and substitutes have been found to meet these altered conditions. The prices of the principal commodities in which we are interested have remained fairly constant, and the Non-Ferrous Metals Control has rendered a great service to this industry by maintaining the price of electrolytic copper at the fixed level of £62 per ton throughout the year.

There has been much Press comment (without effect) upon the Excess Profits Tax at 100 per cent., which takes everything above the earnings of the standard period, whether the standard period was favourable or unfavourable, except for the somewhat nebulous 20 per cent. post-war refund.

Statistics presented by *The Economist* in their issue of June 6th show that net profits ranging over 2,000 companies have been reduced by more than half since 1938. The position facing many companies to-day is that their liquid resources will be seriously strained which will eventually lead to borrowings in order to meet current commitments. In addition there is the grievance that revenue wear and tear allowances are insufficient to meet the existing heavy depreciation of plant and machinery.

The report was unanimously adopted.

RECORDS and STATISTICS

STOCK EXCHANGES London

Note: All dealings are for cash

As on previous occasions, the adverse news from the battle fronts has been reflected in a decline in the volume of business, which measured by the bargains marked in the official lists reveals a slight fall in the early part of the current week compared with the last week. The lower turnover has, however, been accompanied by marked steadiness in the gilt-edged market, the main effects of the news being seen in a gradual downward drift in equity shares, attributable largely to a lack of support rather than selling. Both turnover and prices have been well maintained in the gilt-edged market, where at the end of last week investment support held prices steady, 3 per cent War Loan and Funding both improving $\frac{1}{8}$, although Local Loans lost $\frac{1}{8}$. The reopening witnessed some quiet trading, bargains marked totalling 555 against the previous Monday's total of 536, but, as on the following day, prices generally remained unchanged. Interest in the foreign bond market was slight, and activity showed little variation, daily bargains averaging just over 80 throughout the week. Some selling of Brazilian issues reduced prices slightly, while declines of $\frac{1}{8}$ were general among Chilean stocks before the week-end. A rather firmer tendency became apparent at the reopening among these stocks, but Egyptian loans resumed their downward course on the latest developments, the 4 per cent Unified losing 6 $\frac{1}{2}$ points in the first three days of this week. Turnover in the home rail market

was quite well maintained compared with last week, when the daily average of bargains marked was some 220, although actual business was light. Losses were general but small at the end of last week, declines of $\frac{1}{8}$ being registered by GW ordinary and LMS 4 per cent first and 1923 preference issues. Further small losses were registered at the reopening, although GW ordinary improved $\frac{1}{8}$, but the next day LMS and Berwick 4 per cent preference issues were weak. Small but widespread and persistent declines were registered for Argentine issues in the foreign rail market, while elsewhere Canadian Pacific ordinary steadily weakened. In this, as in other sections, midweek brought a recovery which in some cases eliminated two days' falls.

*

The adverse war news occasioned some marking down in the industrial market of leading stocks, but little selling; while lower prices failed to attract any marked support, daily markings averaging some 750. Price movements were in consequence narrow, although several dividend announcements aroused some interest. Thus among brewery shares Distillers rallied slightly on the preliminary statement, but among other issues changes were narrow. A rise of $\frac{1}{8}$ for BAT on Friday was followed by declines of $\frac{1}{8}$ for Imps and Tobacco Securities at the reopening, but the next day Imps regained $\frac{1}{8}$. Brown Bros. was a weak feature in the motor and aircraft group, losing 1s. 3d. at the reopening, but Leyland was supported throughout, while Thos. Tilling, Dennis Bros. and Rolls Royce suffered small losses. Prices in the heavy indus-

trial group fluctuated narrowly with declining turnover. Small losses were registered by Stewarts and Lloyds deferred and Dorman Long, but Tube Investments and Richard Thomas preference were firm. Turnover in the shipping group remained at a low level, while Elder Dempster Holdings eased on the report. Textile shares followed the downward trend, Patons and Baldwins and Tootal Broadhurst each losing $\frac{1}{8}$ at the reopening, but losses, though widespread, were usually small. In the miscellaneous market, Barry and Staines lost $\frac{1}{8}$ on the reduced dividend and Murex $\frac{1}{8}$ on Monday, while Brazilian Traction, Boots and Ranks, among others, all weakened.

*

After a late rally before the week end, interest in the Kaffir market subsided, Friday's total of 120 bargains comparing with 76 on Tuesday. In the absence of support, prices moved to lower levels, and on Tuesday Sallies, Sub Nigel and West Wit. Areas all lost $\frac{1}{8}$. Turnover in the rubber market improved in the early part of this week without affecting prices to any extent, but in the tea market British India lost $\frac{1}{8}$ on Friday when Jorehaut and Jokai were both sold. Later, interest further declined. A recovery in the oil market leaders of $\frac{1}{8}$ on Friday was not held at the reopening, when Anglo-Iranian lost the same amount and Burmah and Shell declined $\frac{1}{8}$. Mexican Eagles fell sharply on the Shell chairman's statement, losing 10 $\frac{1}{2}$ d., while the next day Anglo-Egyptian fell $\frac{1}{8}$, most issues remaining steady.

(Continued on page 30)

Finance

GOVERNMENT RETURNS

For the 10 days ended June 30, 1942, total ordinary revenue was £67,780,000, against ordinary expenditure of £141,737,000 and issues to sinking funds of £300,000. Thus, including sinking fund allocations of £1,883,155, the deficit accrued since April 1st is £742,563,000, against £756,629,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to June 30, 1942	April 1 to June 30, 1941	9 Days ended June 30, 1942	10 Days ended June 30, 1942
ORDINARY REVENUE				
Income Tax	79,597	128,866	8,256	19,238
Sur-tax	7,859	7,662	390	380
Estate, etc., Duties	23,715	25,135	1,650	2,264
Stamps	2,711	3,100	271	1,250
N.D.C.	4,004	6,185	427	1,037
E.P.T.	40,595	56,596	3,560	4,280
Other Inland Rev.	125	200	10	...
Total Inland Rev.	158,606	227,744	14,564	28,449
Customs	81,650	110,689	6,605	9,345
Excise	56,800	93,300	14,900	19,500
Total Customs and Excise	138,450	203,989	21,505	28,845
Motor Duties	4,898	3,145	...	...
Canadian Govt. Contribution	...	98,074	...	8,989
P.O. (Net Receipts)	1,600	3,550	600	1,150
Wireless Licences	280	690	...	180
Crown Lands	...	250	50	50
Receipts from Sundry Loans	807	638	...	21
Miscel. Receipts	14,517	16,631	1,625	2,396
Total Ordinary Rev.	319,158	554,711	38,144	67,780
SELF-BALANCING P.O. and Broadcasting	24,500	25,300	2,700	2,650
Total	343,658	580,011	40,844	70,430

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to June 30, 1942	April 1 to June 30, 1941	9 Days ended June 30, 1942	10 Days ended June 30, 1942
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	86,779	94,672	1,393	1,562
Payments to N. Ireland	1,573	1,633	346	327
Other Cons. Fund Services	484	809	70	451
Total	88,836	97,114	1,809	2,340
Supply Services	985,444	1,198,277	97,303	139,398
Total Ordinary Expenditure	1,074,281	1,295,391	99,112	141,738
SELF-BALANCING P.O. and Broadcasting	24,500	25,300	2,700	2,650
Total	1,098,781	1,320,691	101,812	144,388

After decreasing Exchequer balances by £132,127 to £2,434,454, the other operations for the week (no longer shown separately) raised the gross National Debt by £72,133,731 (against £55,739,962 in the previous week) to about £14,813 millions.

NET ISSUES (£ thousands)			
P.O. and Telegraph	Overseas Trade Guarantees		
250	9		

NET RECEIPTS (£ thousands)			
P.O. and Telegraph	Housing Act		
2,400	5		
2,405			

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between June 27th and July 3rd. (Figures in brackets are par of exchange.)

United States. \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4-86½) 4-43-47; mail transfers 4-43-47. **Switzerland.** Francs (25-22½) 17-30-40. **Sweden.** Krona (18-150) 16-85-95. **Argentina.** Peso (11-45) 16-95½-17-13; mail transfers 16-95½-17-13. **Dutch West Indies.** Florin (12-11) 7-58-62; mail transfers 7-58-64. **Portugal.** Escudos (110) 99-80-100-20. **Panama.** \$4-02-04; mail transfers 4-02-04.

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

MONTH'S CHANGES IN DEBT

NET INCREASES		NET REPAYMENTS	
Nat. Sav. Certs.	16,350	Treasury Bills	142,075
3% Funding '59-69 121,650		Nat. Sav. Bds.	603
3% Def. Bds.	3,313	Ways and Means ..	58,115
2½% Nat. War Bds.			
49-51	25,750		
3% Sav. Bds.	100		
3% Sav. Bds. 60-70 29,015			
"Other Debt"	158,500		
Treasury deposits ..	73,000		
Tax Res. Certs.	34,481		
	462,159		200,793

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1941						
June 30, 1942	235-0	7-0	158-7	28-2	519-0	3063-0
Mar. 31, 1942	2620-6		195-1	...	496-5	3312-2
Apr. 4	905-0		Not available			
" 11	905-0		"			
" 18	910-0		"			
" 25	920-0	1757-3	251-7	17-0	487-0	3432-9
May 2	935-0		Not available			
" 9	950-0		"			
" 16	965-0		"			
" 23	975-0		"			
June 6	975-0	1805-3	254-8	...	518-5	3553-6
" 13	975-0		Not available			
" 20	975-0		"			
" 27	2,638		160-4	36-3	591-5	3426-7

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment at Min. Rate	Per Cent Allotted
	Offered	Applied for	Allotted		
1941					
June 27, 1942	75-0	163-1	75-0	19 11-83	27
April 3	75-0	147-2	75-0	20 2-72	34
" 10	75-0	155-0	75-0	20 2-02	35
" 17	75-0	147-5	75-0	20 2-89	36
" 24	75-0	133-0	75-0	20 3-15	44
May 1	75-0	148-0	75-0	20 0-30	37
" 8	75-0	143-8	75-0	20 0-73	41
" 15	75-0	135-4	75-0	20 0-65	44
" 22	75-0	143-9	75-0	20 0-78	42
June 5	75-0	151-7	75-0	20 0-70	36
" 12	75-0	147-3	75-0	20 0-56	36
" 19	75-0	131-6	75-0	20 0-67	44
" 26	75-0	124-3	75-0	20 0-90	49
" 26	75-0	141-4	75-0	20 0-58	41

On June 26th applications at 99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 41 per cent of the amount applied for, and applications at higher prices in full. Applications at 99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury Bills are being offered on July 3rd. For the week ending July 4th the banks will be asked for Treasury deposits to a maximum amount of £40 millions.

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

Week ended	N.S.C.		3% Defence Bonds		3% Savings Bonds		2½% War Bonds 1949-51	
May 19	4,147	2,096	6,380	6,183				
" 26	4,333	2,112	6,225	3,508				
June 2	4,370	2,263	5,060	2,956				
" 9	4,184	2,238	7,013	3,548				
" 16	4,391	1,712	7,505	9,719				
" 23	4,566	1,820	4,636	7,087				
" 30	...	...	8,325	5,066				
Totals to date	565,632*	469,483*	76,212†	44,183‡				

* 135 weeks. † 78 weeks. ‡ 38 weeks.
 † Including series "A." ‡ Including all Series.
 Interest free loans received by the Treasury up to June 30th amounted to a total value of £48,971,018. Up to June 30th, principal of Savings Certificates to the amount of £71,922,000 has been repaid.

Market Rates.—The following rates remained unchanged between June 27th and July 3rd.
Egypt. Piastres (97½) 97½-£. **India.** Rupee (18d. per rupee) 17½-18½d. **Belgian Congo.** Francs 176½-£. **China.** National \$ 2½-3½d.

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

Forward Rates.—Forward rates for one month have remained unchanged as follows:—**United States.** ½ cent pm-par. **Canada.** ½ cent pm-par. **Switzerland.** 3 cents pm-par. **Sweden.** 3 ore pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between June 27th and July 3rd:—
 Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months,

BANK OF ENGLAND RETURNS

JULY 1, 1942

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circul.	801,604,528	Other Govt. Securities	816,367,719
In Bank, Department	28,637,190	Other Secs.	1,856,722
		Silver Coin	760,459
		Amt. of Fid. Issue	830,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,718
	830,241,718		830,241,718

BANKING DEPARTMENT

Props.' Capital	14,553,000	Govt. Secs.	187,732,838
Rest	3,296,709	Other Secs.	11,505,433
Public Depts.	11,505,433	Discounts & Advances	6,064,556
		Securities	26,425,013
Other Depts.	171,556,746		
Bankers'	49,204,591	Notes	32,489,569
Other Accts.	220,821,357	Gold & Silver Coin	1,316,882
	250,176,479		250,176,479

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

COMPARATIVE ANALYSIS (£ millions)

	1941		1942	
	July 2	June 17	June 24	July 1
Issue Dept.:				
Notes in circulation	643-4	793-2	796-0	801-6
Notes in banking department	36-9	37-1	34-2	28-6
Government debt and securities	677-5	827-8	827-4	827-4
Other securities	2-2	1-9	2-1	1-9
Silver Coin	0-3	0-3	0-5	0-8
Gold, valued at s. per fine oz.	168-00	168-00	168-00	168-00
Deposits:				
Public	12-3	11-9	8-0	11-5
Bankers'	164-4	133-1	133-6	171-6
Others	53-2	47-3	47-3	49-3
Total	229-9	192-3	188-9	232-4
Banking Dept. Secs.:				
Government	182-3	144-5	145-1	187-7
Discounts, etc.	8-4	5-5	5-5	6-1
Other	18-4	21-7	20-6	26-4
Total	209-1	171-7	171-2	220-2
Banking depart. res.	38-5	38-4	35-5	30-0
"Proportion"	16-7	19-9	18-7	12-8

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £780 millions to £830 millions on April 22, 1942.

GOLD AND SILVER

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

Date	Cash	Two Months
June 25	23½	23½
" 26	23½	23½
" 29	23½	23½
" 30	23½	23½
July 1	23½	23½

The New York price of fine silver remained at 35½ cents per fine ounce throughout the week.

1½%: 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1½%. Day-to-day money, ½-1½%; June 30 and July 1, 1-1½%. Short Loans, 1-1½%. Bank deposit rates ½%. Discount deposit at call ½% at notice 1½%.

NEW YORK EXCHANGE RATES

New York on	June 24	June 25	June 26	June 27	June 29	June 30
Cables:—						
London	403½	403½	403½	403½	403½	403½
Montreal	90-000	90-000	90-060	90-125	90-125	90-060
Zurich	23-30	23-30	23-30	23-30	23-30	23-30
B. Aires	23-50	23-50	23-55	23-55	23-60	23-60
Brazil	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78. † Commercial Bills.

THE REVENUE

I.—AN ACCOUNT OF THE TOTAL REVENUE OF THE UNITED KINGDOM, in the undermentioned periods of the Year ending March 31, 1943, as compared with the corresponding periods of the preceding Year.

	Quarter from April 1st to June 30th, 1942, compared with the corresponding Quarter of the preceding Year.				Estimate for the Year 1942-43	Period from April 1st to June 30th, 1942, compared with the corresponding Period of the preceding Year.			
	Quarter ending June 30th, 1941.	Quarter ending June 30th, 1942.	Increase.	Decrease.		Period ending June 30th, 1941.	Period ending June 30th, 1942.	Increase. ¹	Decrease.
ORDINARY REVENUE.	£	£	£	£	£	£	£	£	£
Inland Revenue—									
Income Tax	79,597,000	128,866,000	49,269,000	...	913,000,000				
Sur-Tax	7,859,000	7,662,000	...	197,000	78,000,000				
Estate, &c., Duties	23,715,000	25,155,000	1,420,000	...	90,000,000				
Stamps	2,711,000	3,100,000	389,000	...	15,000,000				
National Defence Contribution	4,004,000	6,185,000	2,181,000	...	425,000,000 {	{			
Excess Profits Tax	40,595,000	56,596,000	16,001,000	...					
Other Inland Revenue Duties	125,000	200,000	75,000	...	1,000,000				
Total Inland Revenue	158,606,000	227,744,000	69,335,000	197,000	1,522,000,000				
							(See preceding columns)		
Customs and Excise—									
Customs	81,650,000	110,689,000	29,039,000	...	438,295,000				
Excise	56,800,000	93,300,000	36,500,000	...	366,705,000				
Total Customs and Excise	138,450,000	203,989,000	65,539,000	...	805,000,000				
Motor Vehicle Duties	4,898,000	3,145,000	...	1,753,000	34,000,000				
Canadian Government Contribution	...	98,073,850	98,073,850	...	225,000,000				
Post Office (Net Receipt)	1,600,000	3,550,000	1,950,000	...	10,000,000				
Wireless Licences	...	690,000	690,000	...	4,400,000				
Crown Lands	280,000	250,000	...	30,000	800,000				
Receipts from Sundry Loans	806,861	638,352	...	168,509	5,000,000				
Miscellaneous Receipts	14,517,127	16,630,452	2,113,325	...	21,000,000				
Total Ordinary Revenue	319,157,988	554,710,654	237,701,175	2,148,509	2,627,100,000				
			£235,552,666					£	
			Net Increase.					Net Increase.	
SELF-BALANCING REVENUE.									
Revenue required to meet expenditure on Post Office	24,500,000	25,300,000	800,000	...	102,523,000				
Total	343,657,988	580,010,654	238,501,175	2,148,509	2,729,623,000				
			£236,352,666					£	
			Net Increase.					Net Increase.	

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	June 28, 1941	June 27, 1942	June 28, 1941	June 27, 1942
Working days:	6	6	151	150
Birmingham	1,988	2,196	56,294	64,435
Bradford	2,652	2,030	57,803	56,043
Bristol	2,068	2,892	49,981	62,520
Hull	625	698	16,143	20,168
Leeds	724	712	25,461	29,141
Liverpool	5,403	4,813	135,249	120,480
Manchester	11,549	11,577	298,568	310,467
Newcastle	1,258	1,256	33,284	38,980
Nottingham	364	415	11,563	12,014
Sheffield	568	630	17,254	22,558
Southampton	46	72	2,489	3,053
12 Towns	28,675	28,773	725,534	761,551
Dublin*	5,464	6,545	149,200	168,707

* June 21, 1941, and June 20, 1942.

OVERSEAS BANK RETURNS

CENTRAL BANK OF ARGENTINA

Million paper pesos

	May 15, 1941		April 15, 1942		April 15, 1942	
	1941	1942	1941	1942	1941	1942
ASSETS						
Gold at home	1,071	1,076	1,077	1,077		
Other gold and for. exch.	308	522	529	570		
Non-int. Govt. bonds	119	119	119	115		
Treasury bonds	395	394	394	394		
LIABILITIES						
Notes in circulation	1,231	1,454	1,472	1,483		
Deposits: Government	93	68	30	31		
Banks	534	558	588	603		
Certs. of participation	69	22	18	23		
Reserve ratio	74.0%	75.6%	75.4%	75.8%		

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

	June 26, 1941		June 25, 1942	
	1941	1942	1941	1942
12 U.S.F.R. BANKS				
Resources				
Gold certifi. on hand and due from Treasury	20,514	20,518	20,556	20,551
Total cash reserves	285	275	275	286
Total U.S. Govt. sec's	2,184	2,567	2,578	2,583
Total bills and sec's	2,195	2,584	2,594	2,598
Total resources	23,805	24,540	24,995	24,655
LIABILITIES				
F.R. notes in circulation	6,633	9,195	9,229	9,254
Excess int. bank res.	5,150	2,780	2,790	2,650
Mc. bank res. dep.	1,081	92	160	139
Govt. deposits	15,957	14,054	14,143	14,020
Total deposits	23,805	24,540	24,995	24,655
Total liabilities	91.2%	89.5%	89.2%	89.6%
Reserve ratio				
BANKS AND TREASURY RESOURCES				
Monetary gold stock	22,620	22,717	22,729	22,735
Treasury & bank currency	3,148	3,310	3,311	3,313
LIABILITIES				
Money in circulation	9,490	12,176	12,208	12,231
Treasury cash and dep.	5,356	2,305	2,349	2,330

(Continued from page 27)

New York

TECHNICAL considerations rather than the war news have been the determining factors on Wall Street during the past week. Despite the general lack of incentive, occasional support, on the view that the market was largely oversold, induced some slight improvement. Movements were, however, narrow and generally irregular.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Corres. Day 1941	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
June 25	2,882	2,501	78.0	133.3
" 26	2,752	2,529	78.1	133.3
" 29	2,076	2,590	77.8	133.3
" 30	2,607	3,147	77.7	133.2
July 1	2,513	2,479	78.0	133.0

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5). ‡ New basis in S.E. List. § Old basis.

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

	1942		June 17, 1942		June 24, 1942	
	Low	High	June 17, 1942	June 24, 1942	June 17, 1942	June 24, 1942
347 Industrials	62.4	75.0	68.4	69.7	67.5	67.5
32 Rails	58.44	71.08	59.1	59.0	58.4	58.4
40 Utilities	53.1	67.44	59.9	59.4	67.5	67.5
419 Stocks	60.8	73.3	66.5	67.4	65.3	65.3
Av. yield*	8.40%	6.99%	7.22%	6.99%	7.26%	7.26%

* 50 Common Stocks.

(a) Jan. 7. (b) Feb. 4. (c) June 17. (d) June 24.

DAILY AVERAGE OF 50 COMMON STOCKS

	1942		June 17, 1942		June 24, 1942	
	June 18	June 19	June 20	June 21	June 22	June 23
86.3	85.2	84.9	83.6	83.7	83.2	83.2

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Total share dealings: June 25, 245,000; June 26, 287,000; June 27*, 113,000;

COMMODITY AND INDUSTRY NEWS

Utility Furniture.—The President of the Board of Trade, in answer to a Parliamentary question on June 30th, stated that he would shortly make an announcement regarding the production of utility furniture at controlled prices. He said that his proposals would put on the market a supply of good furniture of sound construction.

Increased Cotton Yarn Output.—The output of cotton yarn for the week ending June 20th reached a record high level. The figure achieved was 86.2 per cent of the "target," as against a previous record for the week ending June 13th of 85.1 per cent. The inflow of labour into the industry is now beginning to be felt, and a number of women have returned to the mills from their homes in answer to the recruiting campaign. Minimum demands for war purposes are rising.

Fertiliser Prices.—It has been decided to continue the stabilisation of fertiliser prices for the season 1942-43, and the Minister of Supply has accordingly made the Control of Fertilisers (No. 23) Order, 1942, and a general direction thereunder, both with effect from July 1st, whereby the existing maximum prices for sulphate of ammonia, superphosphates, ground phosphate and compound fertilisers are maintained. The control of sulphate of ammonia prices has also been extended to Northern Ireland. Provision has again been made for substantial early delivery rebates, and by the Control of Fertilisers (No. 21) Order, 1942, Direction No. 1, early delivery rebates are granted on triple superphosphates.

Pencil Prices Controlled.—The Board of Trade, after consultation with the Central Price Regulation Committee, have made a direction (S.R. & O., No. 1256) and the Pencils (Maximum Prices) Order

(S.R. & O., 1239) controlling the prices of pencils. Control is exercised over all pencils permitted to be made under the Order and direction (S.R. & O., 984 and 985) which came into force on June 1st. Different maximum prices are fixed at the different stages of sale according to the

quantities sold. Maximum retail prices per pencil will be 1d. for ordinary graphite pencils, 2d. for coloured pencils, 3d. for drawing pencils and copying ink pencils, and 5d. for china marking pencils, with lower prices for larger quantities. These prices became operative on June 27th, but non-utility pencils made before June 1st may be sold at the old prices.

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

	June 25, 1942		June 29, 1942		June 30, 1942		July 1, 1942	
	1942	1942	1942	1942	1942	1942	1942	1942
Crops	115.8	115.9	115.8	115.8	117.8	117.8	117.8	117.8
Raw materials	172.7	172.7	172.7	172.7	172.7	172.7	172.7	172.7
Complete Index	141.4	141.5	141.4	141.4	142.7	142.7	142.7	142.7
Crops	Mar. 31, 1937*	Aug. 31, 1939	June 1, 1941	June 1, 1942	June 1, 1942	June 1, 1942	June 1, 1942	June 1, 1942
Raw materials	147.9	92.2	108.7	115.7	115.5	115.5	115.5	115.5
Complete Index	207.3	122.9	170.0	172.7	172.7	172.7	172.7	172.7
Complete Index	175.1	108.4	135.9	141.3	141.2	141.2	141.2	141.2

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES
(1927=100)

	Mar. 31, 1937*		Aug. 31, 1939		June 1, 1941		June 1, 1942		June 25, 1942	
	1937	1939	1939	1941	1941	1942	1942	1942	1942	1942
Cereals and Meat	93.0	66.9	96.1	111.8	109.0	109.0	109.0	109.0	109.0	109.0
Other Food	70.4	61.1	96.6	101.6	101.6	101.6	101.6	101.6	101.6	101.6
Textiles	74.2	64.3	93.0	93.4	93.4	93.4	93.4	93.4	93.4	93.4
Minerals	113.2	95.4	129.4	130.7	130.7	130.7	130.7	130.7	130.7	130.7
Miscellaneous	87.2	77.6	113.2	119.0	119.0	119.0	119.0	119.0	119.0	119.0
Complete Index	87.2	70.3	104.8	111.2	110.7	110.7	110.7	110.7	110.7	110.7
1913=100	119.9	96.8	144.2	153.2	152.1	152.1	152.1	152.1	152.1	152.1

* Highest level reached during 1932-37 recovery. Revised.

RETAIL FOOD PRICES.

	Sept. 1, 1939		May 1, 1942		June 1, 1942		Per cent. increase since Sept. 1939
	1939	1942	1942	1942	1942	1942	
Beef, British	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	11
Thin flank	0 7½	0 9½	0 9½	0 9½	0 9½	0 9½	27
Beef, ch'd or frozen							
Ribs	0 9½	1 1	1 1	1 1	1 1	1 1	35
Thin flank	0 4½	0 6	0 6	0 6	0 6	0 6	35
Mutton, British							
Legs	1 3½	1 5½	1 5½	1 5½	1 5½	1 5½	13
Breast	0 7½	0 8	0 8	0 8	0 8	0 8	8
Mutton, frozen							
Legs	0 10½	1 0	1 0	1 0	1 0	1 0	16
Breast	0 4	0 4	0 4	0 4	0 4	0 4	
Bacon	1 5	1 8½	1 8½	1 8½	1 8½	1 8½	37
Fish							
Flour (per 7 lb.)	1 1½	1 3½	1 3½	1 3½	1 3½	1 3½	14
Bread (per 4 lb.)	0 8½	0 8	0 8	0 8	0 8	0 8	-3
Tea	2 4	2 6	2 6	2 6	2 6	2 6	7
Sugar (gran.)	0 5	0 3	0 3	0 3	0 3	0 3	-1
Milk (per qt.)	0 9½	0 8½	0 8½	0 8½	0 8½	0 8½	24
Butter (salt)	1 1½	1 7	1 7	1 7	1 7	1 7	15
Cheese	0 10	1 1	1 1	1 1	1 1	1 1	30
Margarine, special	0 6½	0 9	0 9	0 9	0 9	0 9	12
Standard	0 4	0 5	0 5	0 5	0 5	0 5	12
Eggs, fresh (each)	0 2	0 1½	0 1½	0 1½	0 1½	0 1½	1
Potatoes (per 7 lb.)	0 6½	0 8½	0 8½	0 8½	0 8½	0 8½	28
Index all foods weighted 1914=100	138	160	160	160	160	160	

Source: Ministry of Labour Gazette.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1941			Prices, Year 1942			Name of Security	Price, June 23, 1942	Price, June 30, 1942	Yield, June 30, 1942	Prices, Year 1942			Last two Dividends			Name of Security	Price, June 23, 1942	Price, June 30, 1942	Yield, June 30, 1942							
High	Low	High	Low	High	Low					(a)	(b)	(c)														
British Funds																										
82½	76½	83½	82½	82½	82½	£ s. d.	82½	82½	3 0 7	45/9	41/3	%	%	%	Iron, Coal and Steel	42/6	42/6	£ s. d.								
113½	110	113½	111½	111½	113½	3 11 7½	113½	111½	3 11 7½	50/3	41/10½	34	11½	6	Babcock & Wilcox £1	41/10½	43/7	7 0 0								
100	98½	100½	99½	99½	100	2 0 0	100	100	2 0 0	28/4½	26/4½	13½	11½	6	Bolton & Collier £1	26/6	25/6	3 18 6½								
100	98½	100½	99½	99½	100	2 0 0	100	100	2 0 0	22/9	18/3	3	5	5	Brown (John) £1	20/3	20/3	7 18 0								
103½	101½	103½	101½	101½	103½	2 12 0	103½	103½	2 12 0	20/8½	14/1	7	c	Nil	Colvilles £1	16/6	16/6	Nil								
106½	102½	107½	105½	105½	107½	2 12 0	107½	107½	2 12 0	22/6	20/1	12½	b	15	Dorman Long £1	21/3	21/3	8 8 0								
108½	104½	107½	105½	105½	108½	2 12 0	108½	108½	2 12 0	27/9	25/7½	14	b	12½	Guest Keen & Co. £1	26/6	26/9	8 8 0								
99½	97½	99½	97½	97½	99½	2 17 6	99½	99½	2 17 6	45/6	42/1	14	b	24	Hadfields £1	42/6	42/6	3 1 9								
101½	98½	101½	98½	98½	101½	2 15 6	101½	101½	2 15 6	47/4½	45/1	12½	c	12½	Staveley Coal Ord. £1	46/9	46/9	5 8 0								
116½	111½	116½	114½	114½	116½	2 19 0	116½	116½	2 19 0	37/3	31/1	4	a	6	Stewart and Lloyds £1	31/3	31/3	6 8 0								
101½	100	101½	99½	99½	101½	2 18 6	101½	101½	2 18 6	23/7½	21/1	5	b	24	Stewar, Hunter Ord. £1	21/6	21/6	7 8 0								
102	100	102	100	100	102	2 7 6½	102	102	2 7 6½	17/6	15/5½	4	a	6	United Steel Ord. £1	16/6	16/6	7 8 0								
100	99	100	98½	98½	100	2 16 3	100	100	2 16 3	10/10½	7/1	Nil	c	Nil	Vickers Ord. 10/1	21/6	21/6	6 5 0								
100	99	100	98½	98½	100	2 16 3	100	100	2 16 3	9/10½	6/3	Nil	c	Nil	Bradford Dyers Ord. £1	8/1	7/9	Nil								
100	99	100	98½	98½	100	2 16 3	100	100	2 16 3	39/11	33/6	Nil	c	Nil	British Celanese Ord. 10/1	36/3	35/1	5 0 0								
111½	110	111½	110	110	111½	2 18 6	111½	111½	2 18 6	36/3	31/1	24	5	5	Boats, J & P. Ord. £1	33/9	33/9	4 10 9								
101½	100	101½	99½	99½	101½	2 17 0	101½	101½	2 17 0	9/3	2/3	Nil	c	3	Cornualdys Ord. £1	8/10½	8/7½	6 19 0								
106½	102½	106½	104½	104½	106½	3 6 9	106½	106½	3 6 9	22/9	22/9	7½	c	7½	Fine Cotton Spinners £1	26/6	25/9	5 16 3								
96½	89½	97	95½	95½	96½	3 2 6	96½	96½	3 2 6	74/9	71/3	5	a	10	Lanes. Cotton Corp. £1	73/9xd	72/6	4 2 9								
99½	93½	101½	98½	98½	99½	3 1 0	99½	99½	3 1 0	22/9	20/9	12½	b	7½	Callenders Cable, &c. £1	22/6	22/6	4 2 9								
102	100	101	101	101	102	2 17 10	102	101	2 17 10	42/3	37/6	10	c	10	Crompton Park 'A' 5/1	41/3	41/8	4 17 0								
101½	96	101½	100	100	101½	3 9 0	101½	100½	3 9 0	84/3	78/4½	20	c	17½	English Electric Ord. £1	82/6	81/10½	4 5 0								
Dom. & Col. Govts.									Gas and Electricity									Motor and Aircraft								
105½	101	102	101	101	105½	4 9 0	101½	101½	4 9 0	38/9	34/6	3	a	5	County of London £1	37/6	37/6	4 5 3								
106	100	102	100	100	106	4 17 0	104½	104½	4 17 0	29/11	27/7½	2½	a	3½	Edmundsons Ord. £1	28/1	28/1	4 5 9								
111	107½	109½	107½	107½	111	3 15 0	108	108	3 15 0	14/7	12/11	2½	a	2½	Gas Light & Coke Ord. £1	13/6	13/6	3 9 3								
Corporation Stocks									North-East Electric £1									Scottish Power Ord. £1								
108½	106	108½	105½	105½	107	3 13 2	107	107	3 13 2	32/4½	29/4½	4½	b	24	North-East Electric £1	31/3	31/3	4 9 9								
93½	84½	97	93½	93½	96	3 2 6	96	96	3 2 6	40/1	38/1½	39/4½	a	5	Scottish Power Ord. £1	39/4½	39/4½	4 0 9								
99	93	99½	98	98	99	3 1 3	99	99	3 1 3	40/6	39/1	3	a	5	Yorkshire Electric £1	40/1	40/1	4 0 0								
106	100½	106½	105	105	106	3 1 6	105	105	3 1 6	17/3	15/1	10	c	10	Austin 'A' Ord. 5/1	16/3	16/3	3 1 3								
99½	77	102	97½	97½	102	4 8 3	102	102	4 8 3	20/11	20/11	7½	c	7½	B.S.A. Ord. £1	21/1	21/1	7 2 3								
48½	31	63½	46½	46½	48½	4 1 4½	62½	61½	4 1 4½	11/4	9/3	6	b	4	Bristol Aeroplane 10/1	10/9	10/6	9 10 6								
27½	11½	31	23½	23½	27½	5 5 3½	29½	28½	5 5 3½	14/9	11/9	11	c	18	Fairley Aviation Ord. 10/1	13/6	13/6	5 18 0								
84	71½	93	76	76	84	5 2 7	83	78	5 2 7	26/4½	24/1	6	c	3	Ford Motors Ord. £1	25/3	25/3	4 15 0								
42	9	13	5½	5½	42	13 11	10	9½	13 11	11/4½	15	a	14	15	Hawker Siddeley 5/1	12/6	12/6	13 0 0								
73	58	83	70½	70½	73	3 14 1	81	81	3 14 1	69/6	65/1	24	a	17½	Lucas (Joseph) Ord. £1	66/3	66/3	2 12 6								
45	27	44	33	33	45	9 8 4	41½	42½	9 8 4	34/6	29/10½	17½	b	10	Morris Motors £1 Ord.	33/9	33/1½	2 12 6								
Foreign Governments									Shipping									Tea and Rubber								
99½	77	102	97½	97½	102	4 8 3	102	102	4 8 3	21/6	20/11	7½	c	7½	Cunard Ord. £1	15/1	14/6	Nil								
48½	31	63½	46½	46½	48½	4 1 4½	62½	61½	4 1 4½	11/4	9/3	6	b	4	Furness, Withy Ord. £1	23/6	23/6	5 4 0								
27½	11½	31	23½	23½	27½	5 5 3½	29½	28½	5 5 3½	14/9	11/9	11	c	18	P. & O. Def. £1	27/6	26/6	6 0 6								
84	71½	93	76	76	84	5 2 7	83	78	5 2 7	26/4½	24/1	6	c	3	Royal Mail Lines Ord. £1	22/6	22/6	5 6 9								
42	9	13	5½	5½	42	13 11	10	9½	13 11	11/4½	15	a	14	15	Union Castle Ord. £1	18/1	18/1	5 11 0								
73	58	83	70½	70½	73	3 14 1	81	81	3 14 1	69/6	65/1	24	a	17½	Anglo-Italian Ord. £1	43/1½	40/1	2 10 0								
45	27	44	33	33	45	9 8 4	41½	42½	9 8 4	34/6	29/10½	17½	b	10	Burmah Oil Ord. £1	45/1½	45/1½	8 17 0								
Railways									Oil									Miscellaneous								
10½	7	Nil	Nil	Nil	10½	£ s. d.	8½	7½	£ s. d.	16/4½	13/3	Nil	c	Nil	Shell Transport & Trading £1	25/1	25/1	6 10 0								
12½	3½	Nil	Nil	Nil	12½	Nil	10	10	Nil	25/1	21/6	5	c	6	Trinidad Leaseholds £1	68/1½	67/6	4 8 8								
47½	39	1½	1½	1½	47½	7/3	10	10	7/3	3/9	4/4	4	c	4	Assoc. P. Cement Ord. £1	48/9	47/6	3 15 9								
115½	109	1½	2½	2½	115½	14/6	45	45	14/6	6	4	4	c	2	Barker (John) Ord. £1	43/9	43/11	4 12 6								
55	49½	1½	2½	2½	55	17/6	107½	107½	17/6	32/1	29/6	24	a	24	Boots Pure Drug Ord. 5/1	35/7½	33/9	3 11 0								
20	16½	1½	2½	2½	20	2/11	52½	51½	2/11	9d.	9d.	4	a	6	British Aluminium £1	44/4½	44/4½	4 10 0								
56½	50½	2	2	2	56½	20/6	19½	19	20/6	8/10½	10	c	3	London Asiatic Rbr. 2/1	1/4½	1/3	16 0 0									
41	38	2	2	2	41	1/8	53½	52½	1/8	9d.	9d.	9	c	Nil	Rubber Pltns. Trust £1	15/11	13/9	4 7 0								
17½	14½	1½	1½	1½	17½	55/1	16½	16	55/1	34/4½	5	c	5	United Serdang Rbr. 2/1	1/3	1/3	Nil									
66½	61½	2½	2½	2½	66½	54/8½	64	62½	54/8½	37/4½	10	b	5	Anglo-Iranian Ord. £1	43/1½	40/1	2 10 0									
1/3	67/6	7½	10	10	1/3	34/6	64	62½	34/6	37/4½	10	b	5	Burmah Oil Ord. £1	45/1½	45/1½	8 17 0									
6	3½	3½	4½	4½	6	12½	51	51	12½	72/6	63/9½	12½	a	12½	Shell Transport & Trading £1	45/1½	45/1½	8 17 0								
38½	36½	6	6	6	38½	7/2	377½	377½	7/2	47/6	35/7½	10	c	61	Trinidad Leaseholds £1	68/1½	67/6	4 8 8								
47½	43½	8	8	8	47½	3/9	446	446	3/9	37/9	30	24	a	24	Assoc. P. Cement Ord. £1	48/9	47/6	3 15 9								
28/1	19/1	7	7	7	28/1	4/11	263	263	4/11	45/7½	42/3	3	a	7	Barker (John) Ord. £1	43/9	43/11	4 12 6								
7½	7½	7	7	7	7½	88/14	72½	72½	88/14	70/1	64/6	17½	a	14½	Boots Pure Drug Ord. 5/1	35/7½	33/9	3 11 0								
45½	45½	2½	2½	2½	45½	64/6	72½	72½	64/6	70/1	64/6	17½	a	14½	British Aluminium £1	44/4½	44/4½	4 10 0								
54/6	50/1	6	6	6	54/6	69/1	54½	53½	69/1	47	4	4	c	4	Brit.-Amer. Tobacco £1	77/6	76/3	3 16 0								
89/3	81/6	8	8	8	89/3	115/1	86½	85/9	115/1	124/4½	158/6	12½	a	12½	British Oxygen Ord. £1	66/3	66/3	3 16 0								
6	5½	5	5	5	6	3/9	61	61	3/9	17/11	13/3	Nil	c	6	Cable & Wire Hdg. Stk.	110/1	109/1	5 8 0								
67/3	64/1	7½	7½	7½	67/3	41	41	41	41	22/1	12½	12½	a	12½	Canwar. Air. Ord.	27/1	27/1	5 19 0								
49½	44½	8½	8½	8½	49½	33/13	461	461	33/13	63/6	31/3	20	b	Nil	Elec. & Mus. Ind. 10/1	15/9	15/9	3 16 0								
50/1	46/3	3½	3½	3½	50/1	33/11½	47/6	47/6	33/11½	30/3	3	3	a	5	Gestetner (D.) 5/1	22/6	22/6	5 11 0								
82/7½	77/9	9	9	9	82/7½	6	6	6	6	55/1	34/4½	5	c	5	Harrissons & Cros. Def. £1	45/1	45/1	8 17 0								
Banks and Discount									Imperial Chemical Ord. £1									Imperial Tobacco Ord. £1								
25½	23½	40	50	50	25½	11½	24½	23½	11½	34½	33½	10	c	10	Imperial Chemical Ord. £1	31/6	31/6	5 11 0								
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88/1	79/1	10/10	10/10	10/10	88/1	2/8	25½	25½	2/8	30/3	24/9	10	c	10	International Nickel n.p.	83/3	83/3	3 14 0								
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The Other Churchill

AMONG the great unspoken speeches of English history are those which Winston Churchill might have made in 1940, 1941 and 1942, if he had not had the destiny of his country to decide himself. The voice which spoke for England after Munich would not have kept silent after Norway, Crete, Singapore and Tobruk. But there is only one Churchill, and his role has been to govern and to lead, not to thunder. Upon him has been laid for two historic years the heaviest burden any English statesman has ever borne. The world was saved by Britain in 1940 and by Russia in 1941; Britain itself was saved at the beginning of its fight two years ago by Mr Churchill.

On the benches opposite there is a sad gap. Not one of the speeches in opposition during last week's debate on the conduct of the war caught even a trace of the deep humanity and the matured sagacity which Winston Churchill brought to the affairs of state when he walked alone. In far too many of the speeches, the critics echoed not the murmurings of the people, but their yelpings. In the absence of a Churchill, they were little men called upon to perform a great duty. In Winston Churchill's place there stood Sir John Wardlaw-Milne.

But the duty that these men tried to do had to be done. Winston Churchill would not have left it unperformed. When the claim of Parliament to be the grand inquest of the nation is denied, victory will go by default, whatever the course of the battle. At the end of the long debate, Mr Churchill spoke of Parliament's "unbridled freedom"; he damned his fellow Commons for the effects of their criticisms upon opinion and morale, at home and abroad alike. His impatience can be understood: it was the impatience of a great statesman who is savaged by small politicians. But it was not a fair or a final judgment. "I am in favour of this freedom, which no other country would use or dare to use, in times of mortal peril"; there spoke the true Churchill who has been made and unmade, raised and cast down and raised again by Parliament. Mr Churchill is faced today by the dilemma of Cromwell, who became Protector and dictator despite his avowed wish to use the free words of Parliament for his support and guidance. Mr Churchill, too, has a Rump to deal with. But he must not; and will not, make Cromwell's choice. Without Parliament—even this Commons, but still more the Commons of English tradition—there is no guarantee for English freedom, however clear-cut

the victory may be or however subtle and comprehensive the plans for reconstruction.

Last week's debate in Parliament, which ended with 475 votes for the Government, 25 votes for the motion of censure and perhaps 30 abstentions, has produced no tangible result—beyond the voicing, however inadequately, of the nation's fear and the demonstration, by an overwhelming majority, of Parliament's and the people's trust in Mr Churchill. For the matter to end there would be a disaster. No better thing could happen now than for the Prime Minister to ask himself what Winston Churchill would have said, and what he would have asked for, had he been speaking in the place of Sir John Wardlaw-Milne last week. Without a doubt, he would have told the Government what to do and, in the true accents of English oratory, he would have warned them of what would happen if they did not do it. Out of the buzzing talk in the streets, at firesides, in public houses, in factory canteens, in clubs and camps, he would have caught the cry of the common man—"Get on with it." He would have vested this appeal, not only with the majesty of language, but with the shrewdness and wisdom of a statesmanship unrivalled in the experience of affairs and arms. He would have called for a combined command of all the nation's forces to bring them to bear together against the enemy at every point of battle; he would have regarded the *ad hoc* arrangement in North Africa by which the army commander sets bombing targets in battle as the merest common sense; and he would have demanded a much greater integration of the three Services at every stage of training and operations, and in every detail of their equipment. He would have asked for the utmost sharing by all the United Nations of their joint resources, so that no consideration but that of victory should stand arbiter of their employment. He would have asked for a larger vision and a greater imagination in the scale and the design of warlike supplies. Above all, he would have asked for three things: first, that every man in a key post, large or small, should be vested with power to decide and to act forthwith upon his decision; secondly, that every man with these powers should be held responsible, in person and on the spot, for his decisions and actions; and, thirdly, that there should be among the nation's high Ministers men with the duty, not of acting or of administering, but of following up every decision to see that action is taken, in time and with success.

In the days before Napoleon, when revolutionary France was facing a combination of kings and princes,

the guillotine was held ready for generals who failed in battle. It was an apt spur. Today, it is not chiefly over the generals in the field that the Damoclean sword should be held. It is because weapons and their blueprints, warlike supplies and their schedules, are time and again held up in a limbo of procedure that the massive industrial effort of this country has time and again struck too lightly in the battlefield, that the wrong instruments of war have been made in too great quantities, and that the decisions to make the right ones have been too long delayed. It is because those in authority have allowed their plans and their deeds to be too small, too slow, too tentative and too timorous that Britain, fully mobilised and fully embattled, is still too weak to strike with its proper strength.

Winston Churchill would have spared no harsh words or sombre menaces as he faced this scene. As he scanned the history of aircraft production, tank output and the manufacture of guns, he would not have allowed the impressiveness of the immense advance which has been made in the quantities produced to turn away his wrath. At the least, he should have demanded that good should be made better; at the most, he would have pleaded that heads should roll in the dust if this were not done.

This nation, forty-seven million people in a tiny kingdom, has done more than well in this war. It stood alone against the mightiest war machine the world has ever seen. But these are now topics for the historian of tomorrow, not for the statesman of today. The task, now is not to rest upon the record of past achievements, but to make sure that these achievements are not undone and lost by procrastination, delay, compromise, short sight or narrow mindedness. Two qualities especially Winston Churchill would have called for last week, had he not been Prime Minister—frankness and fearlessness: frankness in stating and discussing all the difficulties, social, political, economic and diplomatic, that still stand in the way, and fearlessness in dealing with them. He would have reminded the House of an earlier Prime Minister, Mr David Lloyd George, who stamped his mark upon the winning of the last world war by the promptness and the large scale of his decisions at crucial moments. Little men now sit in Winston Churchill's place on the back benches—and beside Mr Churchill on the front benches. But this is a big war; and it calls for even bigger decisions than those made by Mr Lloyd George twenty-five years ago. Winston Churchill would have seen that these were made—or else he would have known the reason why.

L'Expérience Laval

THE Germans know that, short of a complete debacle for them in Russia, the decisive battles of this war will be fought in the west. The whole of conquered France has to be prepared to meet the onslaught of the invader. This is not simply a question of the "Western Wall," coastal defences, artillery, troop concentrations and so forth. Very much depends upon the temper of the French people and the attitude of the government at Vichy. In the spring, after St. Nazaire, it was becoming daily more obvious that, as a rallying point for French opinion, and even as a reliable instrument in itself, Vichy had failed.

The workers were as hostile as ever. The attempt to incorporate them in the National Revolution by means of the *Charte de Travail* had proved a fiasco. The tradition of free representation within independent unions was too strong for the workers to accept the new state unions, with their "leaders" chosen and imposed from above. Moreover, they were seeing day by day the effect of not having their own independent organisation. The cost of living was up by 300 to 400 per cent, but the wage stop of 1939 was still in operation. The workers found themselves without the means to secure either wage increases

or the stabilisation of prices. Under-employment in some industries—the 22 hour week in the textile factories, for example—and unemployment in others weakened their bargaining position still further.

Perhaps it was not surprising that the working class proved intractable. The Vichy regime is, after all, fundamentally anti-popular and anti-industrial. Its failure on the peasant front was far more serious. Here, if ideology could have made a difference, loyalty should have been assured, for everything was done to woo the peasants, to play them off against the industrial centres, to represent them as the pure and uncorrupted root of the nation's existence. The effort has been a flat failure. The peasants have noted Vichy's acts, not Vichy's words; and the acts have chiefly consisted in efforts to get food supplies away from the farms. The output of grain in France has undoubtedly declined. German plunder and the shortage of agricultural labour, machinery and fertilisers are responsible. Some estimates put the wheat deficit alone at over five million quintals. In these circumstances, the peasants' reaction is to keep hold of everything they produce, especially as the money offered them can buy nothing in the present drastic

shortage of all kinds of industrial goods. The peasants have preferred to hoard their food. Government requisitioning has been fiercely resented, and deliveries of grain to the state were anything up to 50 per cent below schedule this spring.

The two largest classes of the population are thus radically disaffected. Matters are little better among the middle classes, to whom the *mystique* of a para-Fascist experiment might perhaps have appealed. But the French make bad Fascists. The roots of liberty run too deep, and the spirit of mockery runs too near the surface. It has been impossible to create the essential instrument of Fascism, the *parti unique*, with its discipline, fanaticism and driving force. The *Légion Française*, which was planned to fulfil this function, has failed completely. It had no homogeneity, and the tasks it has been set are contradictory. It has had to try to combine the rôle of propagandist with that of assistant policeman. Its unpopularity was thus assured. It has even earned the undying hostility of the administration it was supposed to help. The civil servants have strongly resented its efforts to set up a parallel political machine. With the people at large, it simply represents an inefficient but repellent secret police.

Even at the heart of political power, friction remained. The Vichy Governments have been no more stable than those of the Third Republic. The Cabinet was remodelled every other month. The shiftings and shufflings represented the uneasy see-saw of influence and opinion under the stress of foreign events. Pétain preferred to lean heavily on the old guard conservatives of the Maurras—*Action Française* type. Complete "reactionaries" in so far as home policy was concerned, they were anxious to avoid too close an entanglement with Hitler's unquestionably revolutionary New Order. Their game was *attentisme*—the French version of "wait and see"—fulfilment of the Armistice and strict neutrality. These men were constantly under fire from the collaborationists à outrance, the Doriot and Déats who accused Vichy of muddling away France's only asset, the chance of collaboration with the "new" Germany in the "new" Europe.

This was the incoherent and crumbling system on which the Germans had to rely to keep order in a vital area which at any time might become a battle zone. They could not occupy all France; for that their manpower was already spread too thin. They needed a reliable *Gauleiter* who, in spite of his willingness to co-operate with the invader, stood some chance of welding France into a disciplined unified whole. The only possible man was Laval.

Laval has now been at work for three months. It is impossible not to feel a moment's admiration for the completely unscrupulous way in which he has gone about his task. He knows his Frenchmen. He has been careful to speak an idiom they understand, to play on their weak-

nesses, to manage their fears and suspicions, to be all things to all men in order to render more absolute his own supremacy. To the Fascists he spoke of total collaboration, to the conservatives of France's rights and autonomy, to the unregenerate republicans of France's liberal spirit and of his desire to preserve some continuity with the pre-1940 regime. To the workers he promised an all-round increase in wages; he attacked the *Charte de Travail* and promised that in future the men should elect their own trade union representatives. The peasants were given a scapegoat in the shape of the Minister of Agriculture, M. Caziot, Vichy's professional peasant lover. In his place, Laval installed M. Leroy Ladurie, a big landowner from Normandy, with the job of inaugurating a species of French NEP. A maximum figure was fixed for grain deliveries to the state; the surplus would be the peasants'. At the same time the new Minister for Agriculture announced stringent measures for punishing the wastage and mismanagement of food reserves by the civil service. Indeed, throughout this spurious agricultural "new deal," the civil servants were made to stand the blame for all the peasants' earlier vexations. Yet the civil servants got their plum, too. The *Légion Française* was ostentatiously degraded and stripped of all its political and administrative functions.

Yet the *expérience* Laval is a vast deception. There is hardly a promise Laval has made that he has not known to be illusory. The only result of the promised labour policy has been new pressure on the workers to go to Germany. About 170,000 have been despatched already, including 90,000 skilled workers from the metallurgical industries round Paris. M. Bichelonne, the Minister of Production, is also talking of the "redistribution of labour," in other words, the shifting of workers from industry to agriculture. Thus Germany's policy of de-industrialising and balkanising France goes steadily forward. As for the peasants, there can be and will be no real relief for them. France's food situation is grave; requisitioning will continue.

The demotion of the *Légion Française* is being balanced by a centralisation and strengthening of the police force. The Gendarmerie and the *Garde Civil* have been transferred from the Ministry of War to Laval's own Ministry of the Interior. The new France may not be a party state. It is to be a police state with full powers concentrated in the hands of Laval. Under these conditions, it is hardly surprising that few of the fundamental political feuds have been healed. Déat, it is true, now takes the line that Laval is the only man who can combine collaboration with Germany with some measure of autonomy.

If the Laval experiment is interrupted or if it fails, no other Government of an autonomous type will be possible. Let us have no illusions about that.



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But Doriot is as sceptical as ever about the real "will to collaboration" at Vichy. He is attempting to push his counter movement, the *Parti Populaire Français* out into unoccupied France. His papers have not noticeably abated their attacks on "clerical reaction" at Vichy. And the Germans discreetly encourage his filibustering. He can yet be used as a means of pressure on Laval just as Laval was used to put the screws on Marshal Pétain.

It does not seem on balance that the French situation is any more stable now than before Laval's return. None

of the basic problems has been solved, none of the feuds brought to an end, no spirit of solidarity created. Among the people, the spirit of total resistance grows—General de Gaulle's agreement with all the organised underground movements is a symbol of this. For full revolt to develop, the United Nations must strike harder and with greater success; but there is little doubt that, when the day of re-invasion dawns, the Pétain-Laval experiment will be blown sky-high and almost as many men will be fighting against the Germans behind their defences as are landing from the sea.

Youth in Industry

THE registration of the 16-18 year-old boys and girls, and subsequent interviews, have revealed some grim facts about the long hours now being worked by young people in industry. It is a pity that the 14-16 year-olds were not included, and that an opportunity has thus been missed to obtain a full record of what the young people of the country are doing in wartime. The picture is incomplete; but, from the information that has been collected by education authorities (much has been published in the *Times Educational Supplement*, and quoted in Parliament), it is possible to make a rough sketch.

There was no lack of willingness on the part of young people to be interviewed—in most areas the proportion attending was 90 per cent of those invited. The great majority were unattached to any youth organisation, but showed themselves ready to join one or to undertake some form of pre-service training; the pre-service units were the most popular—the ATC membership figure of 209,333 speaks for itself—and numerous instances were quoted of boys falsifying their ages in order to join the Home Guard. The really serious point which emerged, however, was that, in far too many cases, the Education Committee were unable to make any recommendation, simply because the young workers had no leisure time or were too exhausted at the end of the day to engage in any outside activity.

This is not merely a question of isolated cases of exploitation. The same story is told by interviewers in all parts of the country; the same facts are reported from such widely different areas as London, Lincolnshire, the woollen towns of the West Riding, and the mining districts of South Wales.

Hours of work were recorded as appallingly long—50 to 60 or even 70 hours a week. The maximum hours of work applying to juveniles in industry in wartime seems beyond their physical capacity. . . . With girls the cases of excessive hours were as bad as with the boys, if not worse. 7.30 in the morning to 7 at night are normal weekday hours in the foundries and engineering firms. Many girls appeared tired,

writes the Lincoln Youth Committee.

The Huddersfield authority found that many of the 17 year-old boys were suffering from "physical and mental exhaustion." Mr James Griffiths, Chairman of the Welsh Advisory Committee, stated in the House of Commons that, in one town in West Wales, out of 198 boys and girls interviewed, 81 were working impossibly long hours, and in one factory the hours on five days a week were 7.30 a.m. to 7.15 p.m., with six hours on Saturday. Mr Lindsay spoke of boys in aircraft factories working a 60-70 hour week, and quoted the opinion of an interviewer that

a high proportion are being worn out at an important stage in their development by the prevailing industrial conditions.

Evidence has also been given of long hours worked in clubs, hotels and cinemas. In addition to the actual hours of work, many young people had fire-watching duties and long distances to travel.

The Minister of Labour has promised to investigate cases brought to his notice. But, though there may be some individual employers who exceed the statutory

maxima, there is no question of any general evasion of the law. The law permits these things to happen. Under the Factories Act of 1937, maxima are laid down of 48 hours a week for young persons over 16 and 44 hours for those under 16; but provision is made for overtime, and permission to depart from peacetime requirements may be obtained from the District Inspector of Factories. During the first five months of the war, orders extending the hours of young persons were made in respect of 2,459 factories, of which 1,267 were engineering firms. Special emergency orders have been issued for cotton spinning and doubling mills, flour mills and engineering—as well as the notorious pottery order, which has since been revoked. The excuse, of course, is the wartime shortage of adult labour and the fact that in many industries, particularly in cotton spinning, shipbuilding and certain classes of engineering, juveniles are working side by side with adults; for them to cease work earlier would dislocate production. But it has been conclusively established that overlong hours defeat their own object and reduce efficiency. The Chief Inspector of Factories wrote in his 1940 report that

the experience of the year has shown that some valuable lessons of the last war had been widely forgotten or were not yet sufficiently appreciated. I have particularly in mind the lesson that excessive hours mean less production.

Young people are especially prone to accidents, and the increased accident rate among juveniles during 1940, compared with pre-war years, was attributed in the report to longer hours and greater exposure to risk—young people being now employed to a larger extent on "accident producing" machines—and to deterioration in training and supervision.

It is sometimes said that youths are compensated for their long hours by receiving high wages. But, even if wages are high in individual cases, where much overtime and especially Sunday time is being worked—or where a special shortage of labour pushes up the local rate—the common allegation of excessive wages is not borne out by a study of the earnings of young persons as a whole, though there has been a large increase. The June Ministry of Labour Gazette shows that the wages of youths and boys for the principal industries averaged 42s. 6d. a week in January, 1942, compared with 26s. 1d. in October, 1938—an increase of 63 per cent; those of girls increased less, by 45 per cent from 18s. 6d. a week to 26s. 10d. The highest rates, as one would expect, are found in the engineering and building groups (61s. 10d. in aircraft and vehicle manufacture, and 55s. 6d. in public works contracting) and the highest relative increases in marine engineering (102.3 per cent), and in cotton (90.2 per cent). Boys engaged on labouring work in the building industry are covered by agreements which lay down rates in proportion to adult earnings—at 15 years, 40 per cent; at 16, 50 per cent; at 17, 75 per cent; and at 18, 100 per cent. Coal mining is not included in the Ministry's returns, but the low wages earned by pit-boys compared with wages in munition works or Government training centres in the same area have been the cause of recent strikes in South Wales and Yorkshire, and have acted as a deterrent to the entry of youth into the industry generally. (The Greene Committee on coal miners' wages

recommended additions per shift, on a graduated scale, to the wages of young workers between the ages of 14 and 21).

High wages may be earned because the work performed has been a man's work, and it would be difficult to refuse the young worker's claim that he is entitled to the wage or the job. Whether it is desirable that a youth should do a man's job and work a man's hours is a different and arguable matter. Clearly, from the point of immediate health, well-being and efficiency, it is undesirable. It is

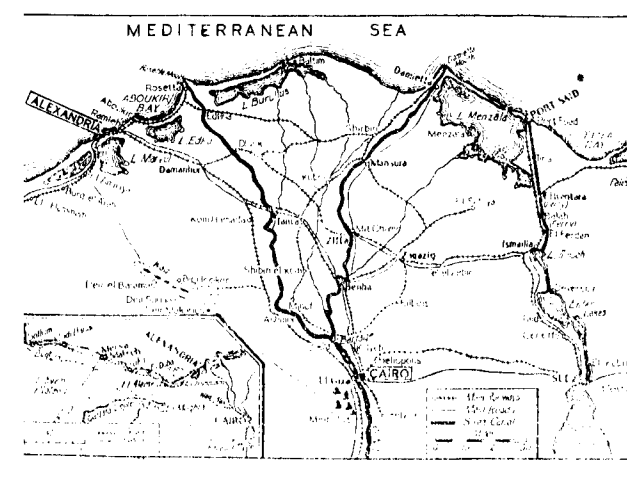
equally foolish from the long-term point of view. It is difficult to reconcile the present position with the policy set out by the Board of Education in their admirable circular, "The Challenge of Youth," which advocated the provision of facilities for recreation and useful activity outside working hours, and demanded that attention should be paid to

the building of character . . . developing the whole personality of individual boys and girls to enable them to take their places as full members of a free community.

NOTES OF THE WEEK

Front Line in Egypt

The El Alamein position still holds, and after several fierce attempts to break through the British positions Rommel appears to be building strong defences along his own right flank. The rapid advance from the Libyan frontier has left him inevitably with these long exposed positions. Here, if the British can bring up sufficient reinforcements, a rippling blow could be struck. Rommel's best equipment is still better than anything the British can put into the field, but against a long and scattered line the weight of



numbers can still tell. The good work already done by aiding columns is perhaps a hopeful portent of the next phase of the battle. The British forces are near their own base and their own workshops, and their marked superiority in the air should make it possible to hamper the bringing up of Axis reserves over the long, exposed routes from Tripoli and Benghazi. Meanwhile, in the rear, Egypt is surprisingly calm. Cairo is blacked-out, but there seems to be no very general fear of heavy raids. Cars go about with very bright blue head-lamps and many windows still show lights. The people are giving little sign of panic. The bazaars are crammed with merchandise and with purchasers. The Cairo Fire Brigade has been able to take time off to stage an elaborate funeral. The general atmosphere is one which was already noted by Mr Lyttelton and by Nahas asha earlier this year, when they both complained that the Egyptians did not realise how serious the position was. To-day, this is perhaps a mercy, though the calm of apathy reeks all too easily into panic. The British community continues to show the usual odd contrast between irresponsibility and the grimmest heroism. The restaurants are full of diners, eating their five and six-course meals at the St. James's or Continental Roof Garden, and yet beside them men with bandaged heads or wounded limbs, panting to get back to the front line. As one American correspondent wrote: "Tanks can crush British bodies, but nothing seems able to crush their spirits." Unfortunately, the dining and training is all too often the preparation for battle, and modern warfare demands cool brains as well as stout hearts.

Fighting on the Don

The week has seen a serious development in the fighting in Russia. On the Kursk front, the Germans have

managed to break through the Russian defences and to cross the river Don. They claim the capture of Voronezh. This thrust, if Voronezh has been reached, cuts the Moscow-Rostov railway, and will greatly increase the problem of supplying the northern Russian armies with oil. It is not, of course, a decisive advance from the military standpoint. The attack itself was not part of a general offensive, and the picture on the Russian front is still, on the whole, one of attrition. But attrition does not mean siege warfare or a static front. It entails an active offensive wearing down of the Soviets' economic resistance. In this context, the cutting of a major railway and the capture of an important road junction like Voronezh can have economic consequences of a far more general and grievous character than the actual military losses in terms of territory, men and materials. The Russian war economy is, inevitably, working on a narrow margin. Anything—faulty transport, delays, detours, or the maldistribution of supplies—that increases the economic strain, reduces that margin. A war of attrition is a war of reserves, and Russia's are not, as is so commonly supposed, inexhaustible.

New Policy

The tasks of war economy are two-fold: first, to marshal and mobilise every available resource; and, secondly, to apply labour, plant and materials to the points of production where they are most needed at any particular time, with the utmost flexibility. It is this second task which is now most pressing. The overall picture of the economic war has altered radically in the past six months. The United States is now at war and its great industries are more and more on a war footing. In quantity, British war output has now come near its peak. Between the United States and this country lies the Atlantic and, for many months, shipping losses have been running at an extremely grave level. Finally, the time is close when Allied strategy in every important theatre must be to attack, not to defend. All these considerations, taken together, make an overhaul of economic policy essential and urgent. There are signs that an adjustment is taking place. The policy of moving war workers from one war job to another more immediately pressing has been laid down by Mr Bevin. Steps to cut down non-essential manufactures still more drastically have been decided upon. The programme of concentration, standardisation and the production of utility articles for personal and household use has entered an advanced stage. A pointer to the new phase of policy was given by two recent announcements—Mr Bevin's statement that it would soon be necessary to call up young munition workers, and the announcement last week that war building, instead of tapering off as the war factory programme is completed, will be kept up by a new programme of further construction. Britain in the next two years is to be a base as much as an arsenal; the United States will increasingly become the main arsenal of all the United Nations. The important need is for the Government to pursue the new policy with the utmost vigour. There is still labour to be saved, for the Forces, for industry or for public works, in the swollen administrative structure of wartime. In many departments of Government service, and indeed in many branches of civilian work, the process of combing out has been tentative and not very effective. So, too, has been the approach to the British public for fresh sacrifices in consumption. The kid-glove methods which are over-tender to the staffs of Government offices, and which have made the alleged

attempt to cut down luxury feeding in hotels and restaurants a ludicrous farce, will not win the war. Just as the only way to cut down luxury feeding is to ration it, so the only way to comb out the few reserves of labour that are left is to act promptly and decisively without interminable negotiations and delays.

The Drive for Austerity

Two months ago, it was announced that quotas under the Limitation of Supplies (Miscellaneous) Orders, which would normally have expired at the end of May, would be retained in June and July pending discussions between the Board of Trade and a wide range of consumer goods industries. Last week-end, Mr Dalton revealed the result of these discussions. The most important step, which will be widely applauded, is the complete prohibition of the manufacture of certain goods, including certain toys and games; some leather goods such as trunks and bags; some types of glassware and fancy goods; metalware, cash registers, hand-operated lawn mowers; certain domestic furniture; and certain types of jewellery and cutlery. For most of these goods, the previous quota was as high as 25 per cent in value. In addition to these absolute prohibitions, the manufacture of other goods will, after August 1st, only be permitted if a licence has been granted by the Board of Trade. These goods include floor coverings; hollow-ware and kitchen hardware, metal furniture, domestic electrical appliances, mechanical lighters, athletic sports and outdoor games, musical instruments, fountain pens, and umbrellas. There will thus be a very strict control of the production of unessential and semi-essential goods; and instead of granting general quotas for wide classes, and then allowing the manufacturer a free hand in the production of different items, in future the quota will vary with each individual item—some quotas, such as for cooking utensils and pottery, which have become too scarce, will be increased, and certain goods, such as glass tumblers and jugs, plastic cups and mugs, and combs, will be unrestricted in supply. But the extension of the licence system will enable control to be exercised over the way things are produced, as well as their amount. There will consequently be considerable simplification and standardisation, and utility designs will be introduced as far as possible. Two objectives are thus secured by the new control: first and foremost, it will release 30,000 workers for direct war industry or the Forces; and, secondly, it will enable the public's urgent needs to be met by cheaper and more economically produced articles. It has taken three years for civilian manufacture to be placed on a war basis, but its full mobilisation is at last within sight of achievement.

Rye for Victory

The Ministers responsible for Britain's foodstuffs have wisely ceased to mince matters. Rather ironically, the Minister of Food has called upon the public to look at the present shipping losses, which are, of course, not published, except through American leaks; Lord Woolton would do well to insist among his colleagues upon the need for the public to be given the figures to look at. Mr Hudson has said frankly that the people of this country will be lucky, having regard to the shipping position, if they get through the next two years with only rye as well as wheat in their bread. It is most encouraging to have this evidence that the Government is looking at the bread position realistically. For a long time, it has seemed plain that, if the shipping position did not ease miraculously, the authorities would be faced with two alternatives, in order to make the most of the shipping space occupied by imported grain. They could either introduce bread rationing, soon enough for the ration to be sufficiently large for every consumer, or they could prepare to mix wheat with other substances in the loaf. The point about bread in this context is the astonishing extent to which it is wasted. Rationing would prevent this without depriving consumers of the necessary bulk basis for their diet. If rationing is still taboo, then other means must be adopted to restrict grain imports. It seems that the decision has been made to increase the production of rye, explicitly as a substitute for wheat in the making of flour. The step is wise; but it is still very

doubtful whether either rye should be grown or wheat imported, simply to be wasted as bread is wasted in so many households and restaurants.

Moves in India

At the beginning of the war, the Executive Council of the Viceroy of India was made up of ten persons, three of them Indians. Last July, five extra posts were created, all to be held by Indians, making Indian representation eight places out of twelve. Now, a year later, the Council has been expanded to fifteen, of whom eleven are Indians, one a non-official European and only three, including the Commander-in-Chief, official representatives. Most significant of all, perhaps, is the appointment of an Indian, from the Punjab, as Defence Minister. It was over the functions of an Indian Defence Minister that so much controversy took place during Sir Stafford Cripps' recent mission; and, not unexpectedly, the main Indian political parties, which still refuse to participate in the present system of Indian Government, regard the power of the new Defence member as merely nominal. Nevertheless, a plain sign has been given that the British Government and the Viceroy are prepared to go as far as possible in the direction of associating representative Indian opinion with the conduct of the war. It is not the fault of the Viceroy or of the British Government that Congress and the Moslem League are not represented. They would be included if they wished it; and the expansion of the Executive Council gives an added importance to the moves which are being made, chiefly by Mr Rajagopalachari, who has now resigned from the Congress party, to bring about an agreement between the Congress Party and the Moslem League. At the moment, it does not seem that Mr Rajagopalachari is doing so well as he seemed to be a short time ago. To the incalculable attitude of Mr Gandhi has been added, it is reported, a completely intransigent reply from Mr Jinnah of the Moslem League who, it is said, will make no compromise. More and more, it is evident that the present leaders of the Indian political parties are entirely incapable of making any contribution whatsoever to the settlement of Indian politics and to the salvation of India itself. They are lost in a maze of frustrations and old inhibitions. It is right that the Viceroy and the British Government should take every step possible, towards a fuller association of Indians in the War. But it is plainly impossible, until the Indians themselves show some semblance of being able to agree, for the offers which were made by Sir Stafford Cripps to be renewed or for negotiations to be reopened.

Retailers and the Report

The first reactions to the report of the Retail Trade Committee have not been favourable. The national body of newsagents', tobacconists' and confectioners' organisations, representing some 150,000 shopkeepers, have announced their opposition to the plan, on the ground that the levy on turnover is too heavy and will do more to drive shopkeepers out of business than war conditions have done. They claim that the fact that some retailers have stood up to three years of trading under war conditions proclaims their fitness to remain in being for the remainder of the war. But this argument misses the whole point. It is perfectly plain that, if the war economy is to be efficient, more shopkeepers must go out of business. The real criticism of the Committee's plan is not that it will drive small men out—it will not—but that, in view of the fact that war conditions will continue to drive small men out, while leaving the big shops in, no attempt is made in the plan to rationalise the process of slimming on a compensation basis, so that the combines will gain no permanent advantage. Clearly in reception areas, retailers, limited only from the supply and not from the demand end, have been doing well, whereas those in depopulated or coastal areas have been struggling, if they have not actually been forced out of business. But this state of affairs is no proof of "fitness," only of the haphazard effects of war which the plan was intended to remedy. The difference is shown in the returns quoted by the Committee—of seven large towns investigated, the number of shops in five non-reception towns showed a decrease of from 10-14 per cent, while those in reception areas showed hardly any change. Mr Palmer, the Co-opera-

tive representative on the committee, stated, in a brief minority report, that he could not support a proposal which

would impose a levy of several million pounds per annum on the consumer and which would in the main pass as rent and interest into the hands of landlords and mortgagees.

As shown in last week's *Economist*, the levy need not be passed on to the consumer, as the wages bill of the closed premises would not enter into account and the non-closed shops would probably secure sufficient additional turnover to compensate them for increased fixed charges. True, many landlords have been obliged to accept less than their full rents, whereas, if the scheme is given effect, in most cases they will receive full payment until the leases expire. In so far as small shopkeepers have only been kept in business because of their contractual obligations to landlords, the scheme will facilitate withdrawal, but traders may have many other financial obligations and it is insufficient to relieve them mainly by cancelling their rent obligations. Nor will the limitation of the special benefit to £125 provide much incentive to withdrawal. A scheme for general compensation would have been far more satisfactory and would produce better results, but the Committee was debarked from tackling the main issue of compensation.

Higher Coal Prices

On July 3rd, the pithead price of coal was raised by 3s. per ton to compensate collieries for the increase in wages, estimated to add 2s. 6d. per ton to the cost of production, and for certain other advances in costs. The Chancellor of the Exchequer has decided against a direct subsidy to the coal-mining industry; the increase is to be passed on to the domestic consumer. He stated last week that this would raise the cost of living index by about one point. Sir Kingsley Wood was at pains to point out in the House of Commons, on July 2nd, that this did not involve a departure from the Government's price stabilisation policy, and that the Government would effect such reductions in the retail price of other commodities which enter into the cost of living as "may be necessary to compensate for the increase in domestic coal prices." It is difficult to understand the logic of this argument, unless it means that the cost to the Exchequer of effecting compensating reductions in the prices of other commodities is likely to be less than the addition to the consumer's coal bill. Apart from its direct effect on the domestic consumer, the increases in coal prices will add—in some cases appreciably—to the costs of industry. In the case of iron and steel, for example, the additional burden is said to be of the order of £5 millions. In answer to a question in the House of Commons, on July 7th, Sir Kingsley Wood pointed out that the effect on steel costs of the increase in prices must be discussed with the industry in order that "we may decide on the necessary measures." Obviously the Treasury is not likely to allow industry to pass on the increase in costs to its consumers—now mainly the Government—without applying some kind of needs test, though, in the case of firms liable to EPT, it can hardly escape footing part of the bill at least through a reduction in the yield of this tax. On the whole, a policy of discrimination is probably justified in the case of industries working wholly and mainly for the Government; so far as domestic consumption is concerned, a direct subsidy should have been the solution.

The Pricing of Coal

Important changes appear to be contemplated in the method of fixing coal prices. Hitherto, individual collieries have discriminated between different categories of consumers. For example, a representative steam colliery had a minimum scale of 18s. per ton f.o.b. for large coal supplied for export as cargo and bunkers. But for home consumption the minimum price for the same coal was 19s. 6d. per ton at pit to public utility undertakings; 20s. 8d. per ton to householders; 17s. 10½d. per ton to the railways; and 18s. 6d. per ton to industrial consumers and for all other purposes. Lower prices were charged for long-period contracts than for current sales, and among collieries supplying the home market, the practice of selling on a delivered basis instead of on a pithead basis has been increasing. But while individual collieries were thus able to differentiate between different classes of consumer, competition among them has made for a measure of uniformity within these

categories at the points of consumption. In view of the need for increased flexibility in distribution, involving the reallocation of the output of individual collieries between different categories of consumers and places of consumption, it has been suggested that individual pits should in future charge a uniform pithead price to all consumers for a given quality of coal. The change in practice, which is said to have official sanction, has recently been accepted "with scarcely a dissentient voice" by the colliery owners in Yorkshire, Notts, Derby and Leicestershire, and is apparently to take place in all the more important of the "inland" coalfields. While there is a good deal to be said for the institution of uniform prices at individual pits, the proposed method of computing these prices is open to criticism. It is reported that the weighted average price is to be determined for each pit, or group of pits, by reference to the experience in a three-monthly period during 1941, at the discretion of the colliery concerned, though steps will presumably be taken to ensure that the average profit per ton will be no higher than before. The introduction of uniform prices for individual pits will lead to the curious state of affairs whereby the price of coal at the point of consumption will vary with its origin. In order to overcome the anomaly of differential prices for the same class of coal used for identical purposes in any one locality, the country should be divided into consuming areas, and the coal supplied to each area at various prices should be pooled and sold at uniform prices for each grade, based on average costs. Uniform prices for given grades of coal at each point of consumption are an essential counterpart to uniform pithead prices.

China's Due

On July 6th, Allied statesmen and soldiers vied with each other in paying tribute to the Chinese people and their leader, General Chiang Kai-shek. The debt which the free nations owe to China for sustaining the fight against Japanese aggression unaided for four and a half years, and for containing on Chinese soil upwards of thirty enemy divisions at the present time, can only be assessed in the light of history. The most telling tribute was paid by the Japanese General Shunroku Hata, who commands his country's expeditionary force in China, and who has an unrivalled opportunity of appreciating the true significance of the Chinese will to victory. He said

although the Chungking régime has now been completely isolated from both Great Britain and the United States, it still stands in the way of the construction of the Eastern Asia Coprosperity Sphere.

This acknowledgment is more impressive than the sincerest eulogy. It also teaches a lesson. It was not until the Chinese had endured a war on their own soil for four and a half years that their strategic position was desperately threatened by the Allied losses in the south-west Pacific and by the fall of Burma. It was not until the conflict, which started as a China incident, had become a world war, and China had found allies in the community of the United Nations, that the worst and most crippling blows fell. These are circumstances which would have broken the spirit of any but the most determined people. How many of the newer recruits to the war against aggression could sustain such tragic news at the moment of their greatest expectations with equal fortitude? The corollary is obvious. China must be given first-class priority both in the allocation of material and the planning of strategy. The Generalissimo has broadcast his belief that this is being done; but unmistakable proof must be made apparent to the Chinese nation.

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Air Transport

The Army is handicapped now by an earlier lack of appreciation of the role of air transport in war. Before the war this method of transport played an important part in the provisioning of outlying districts in various parts of the Empire. As has been demonstrated by the Germans in Russia and North Africa, an adequate supply of air freighters can be of crucial importance in the provisioning of forward and encircled positions. This country was not in a position to produce all types of aircraft in adequate numbers, and, in any case, the deficiency is now being remedied by an expansion of output in the United States. But the Army is not the only sufferer from the shortage of transport aircraft. British Overseas Airways Corporation, responsible for civil transport, has to rely largely on obsolete machines, and has been unable to replace them with new aircraft of British design; failing the construction of new aircraft in this country, it should be possible for the Corporation to secure some American machines for its urgent needs. Finally, aircraft manufacturers are perturbed by the Government's policy to rely on American factories for the supply of transport machines, on the ground that it will be difficult for them to meet foreign competition after the war. These anxieties merit sympathy; but post-war considerations must not be allowed to stand in the way of the most advantageous distribution of production between America and Great Britain. Just as it is in the interests of the United Nations as a whole that America should concentrate on the production of bombers, which can be flown across the Atlantic, it is probably also in their interest to leave the manufacture of transport machines to America.

* * *

Debating Propaganda

The long debate which followed the Estimates for the Ministry of Information ranged over a very wide field. On the home front, while some members found the British people "allergic to propaganda," others contended that this state of mind referred to bad propaganda only, and that a central need was a definition in practical terms of the faith for which the country fought. Mr Garro Jones found an echo in the House—and far beyond the House—in his plea that

something more should be done to crystallise into a practical policy the actual purposes for which we are fighting the war

and in his concern over the Prime Minister's determination to consider such an attempt a "waste of time." Mr Vernon Bartlett's plea that the BBC, by broadcasting the "sentimental sloppy muck" of the Forces programme was missing an opportunity of educating the people to be worthy of democracy, was obviously linked with this plea for a greater clarity in the definition of war aims and here the question of propaganda on the home front merged with the wider question of propaganda abroad, the problem to which the House devoted most of the debate. There was general agreement that, while Mr Bracken was the best Minister of Information so far, things were far from well. Nearly every Member stressed the need for absolute truth in British reporting, and on both sides of the House there was anxiety about the lack of information about Britain in Russia and about America in Britain. Few suggestions were made about a positive basis for British propaganda. It should be individual, it should express in dynamic terms the faith of Britain—yes; but what is the faith of Britain? Mr Pickthorn and Mr Garro Jones agreed in urging that

the conflict is primarily a conflict . . . between those who believe in good faith and the rule of law and those who do not.

This definition, admirable as a beginning, was carried no further. Otherwise the debate concentrated on machinery—the curious dual control of the BBC between the Governors and the Ministry of Information, the treble or quadruple control over the propaganda Services to enemy countries, the continuing lack of control over the Service censors. Mr Bracken admitted that they were queer, but that they worked and, in any case, the House had approved them. "Tu Pas voutu, Georges Dandin."

* * *

New Zealand's New Administration

A curious compromise has been reached in New Zealand over the attempt to give the Opposition a greater participation in the conduct of the war. Two years ago, a

joint War Cabinet was formed, which included two members of the Opposition, but though this Cabinet was responsible for questions of war policy, the administration of that policy remained the sole responsibility of the Labour Government. This was obviously not a satisfactory arrangement, and for a long time there have been attempts to secure a closer association between the two parties. But certain sections in each would not accept the complete loss of their party's identity. After many months of patient negotiations, however, political unity has been carried a step farther. The War Cabinet will be expanded into a War Administration, consisting of seven members of the Labour party and six from the National party. The chairman is Mr Fraser, the Prime Minister, and the deputy-chairman is Mr Holland, of the Opposition. The names of the portfolios are interesting as evidence of the attempt that has been made to divorce war from domestic administration. Thus the Labour members are Ministers of Supply and Munitions, Defence, Transport, the Maori War Effort, Industrial Manpower, and Health. The Opposition has the portfolios of War Expenditure, Supply and Munitions in association with the Labour member, Armed Forces and War Co-ordination, National Service, Civil Defence, and Primary Production for War Purposes. The War Cabinet will continue in being as the executive; it will at present consist of three members of each party, but it will be joined by Mr Nash, Minister of Finance, when he returns from America, and he will also presumably be a member of the War Administration. Members of the Labour Government not included in the new Administration will continue to hold their positions in the domestic Cabinet. It is difficult not to feel that there will be a certain amount of overlapping between the Labour and National members of the War Administration—between the Minister of Industrial Manpower and the Minister of National Service, the Minister of Defence and the Minister of Armed Forces and War Co-ordination, the Minister of Finance, when he returns, and the Minister of War Expenditure. Moreover, it is quite impossible to separate war measures from domestic affairs. War economy is indivisible, and the allocation of resources to military and civilian purposes is a single process. But the fact that the politicians have had to compromise on unity should not cast any reflection on national unity or on New Zealand's determination to wage war both against Japan and Germany to the utmost. The activities of the New Zealand troops in Egypt are evidence enough of that.

* * *

Activity in the Aleutians

Now that Russia is fully engaged on the Western Front, the temptation to Japan to open a second front is so obvious that the surprising thing about the Far Eastern scene is not the evidence of Japan's warlike intentions, but the lack of it. True, there are reports and rumours, for example, of a million men massing in Manchukuo, and something can be made of Russia's accusation that a Japanese submarine sank the Russian ship *Angarstoi* early in May. Moreover, in one area which might seriously affect Russia's Far Eastern position, the Japanese are busily at work consolidating their hold. The Aleutian Islands lie directly on the shortest route between Russia and the United States. If there is to be any trouble in Siberia, then the Japanese have much to gain by establishing fighter bases along the road which must be used by United States bombers and transports. They appear to be digging in at Attu and Kiska. The Aleutian fog covers their activities, but Kiska could easily be developed both as an air base and as a submarine base—there is a good harbour and flat land for airfields. The United States is taking steps to meet the Japanese encroachment, and four Japanese destroyers were destroyed last week off the occupied islands.

* * *

Population Trends

The decline in the birthrate has become a topic of general concern and a controversy has been raging through the columns of *The Times*. There are two separate questions. In the first place, the accuracy of the conclusions of the White Paper on Population Trends (analysed in *The Economist* on May 30th) is disputed; Mr Harrod accuses the Registrars-General of understatement and overoptimism and considers that an increase in the net reproduction rate from 75 per cent to unity would have to take place within the next 15 years if a great decline in population is to be avoided. Secondly, what measures can and should

be taken to achieve this increase in the net reproduction rate? *The Economist* has referred to family allowances as a desirable measure of social reform *per se*—quite apart from any consideration of their value as a means of increasing the birth rate, which was the argument advanced by some speakers in the House of Commons debate. The rate of allowance would certainly have to be substantially higher than 5s. per child in order to make any difference in births. There is indeed some dispute about the extent to which population can be increased by such measures. The Weimar Republic in Germany operated a scheme of family allowances, but did not succeed in arresting the decline in the birth rate; the same is true of France, where a limited scheme of family allowances was introduced after the last war. Mr. L. J. Cadbury, in an article in the *Eugenics Review*, gives a warning that some social security legislation is as likely to discourage as to encourage parenthood. It is probably true that a mere raising of lower incomes would not increase the population very appreciably, since the greatest decline has occurred in middle and lower middle class groups in Britain who limit their families primarily for economic and social reasons. A public school and university education is the key to a successful career and so energies are concentrated on equipping one child; other forms of expenditure—doctors' bills, income tax, clothes, holidays, entertainment—are weighed against the cost of adding to the family. On the other hand, a general improvement in the standard of living, better housing, improved social services, greater equality of educational opportunity, plus a scheme of family allowances, would be bound to have generally beneficial effects. Greater confidence in the future would promote earlier marriages; at present, the largest number of children are born to mothers in the 25-29 age group and, as has been pointed out, half the increase in births necessary to maintain the existing population could be secured if women who would normally marry between 24 and 30 married 3 years younger. The Russians claim that the increase in their population (by 23.4 millions between 1926 and 1938, according to the Soviet census of January, 1939) is due, not so much to any deliberate stimulation of the birth rate by the authorities, as to the provision of large-scale social services, especially for maternity and child welfare, and to the abolition of unemployment.

* * *

Industrial Disarmament

Ever since the events which followed the last war, seekers after peace have been sceptical about the merits of military disarmament as a means of preventing war. It is argued, rightly, that a nation's power to make war depends, not upon its stock of soldiers and weapons, but upon the capacity of its heavy industries. Proposals have recently been made to sterilise the warlike capacity of German industry by such devices as the prohibition of the manufacture of machine tools, the key instruments of war production. On Tuesday, the Archbishop of Canterbury carried this line of thought a stage further. The German problem, he said, has two aspects: first, the so-called Prussian tradition or Germany's record of aggression; and, secondly, the industrial capacity of the Ruhr, which must be the basis of all German war-making. The Archbishop favours the placing of the Ruhr under the control of some international syndicate, public or private. In the short run, it is incontestably true that the first task in disarmament must be to make Germany unable to go to war. In the long run, however, what is sauce for the Ruhr must be sauce for every other centre of industrial power in every continent. All these ingenious economic and industrial devices for making war impossible are half-truths. The fundamental fact is that to end war, nations and groups must be rendered unwilling to go to war on behalf of their sovereign claims. There is no easy economic way out. The problem is to find a political *modus vivendi* between all the nations; and the Archbishop is probably on firmer ground when he speaks of the need to secure basic security for every individual and for every nation than when he looks to tricks of industrial disarmament to do the job.

* * *

The Public Schools Committee

Neither the terms of reference nor the membership of the latest committee of inquiry into an aspect of the country's educational system are very encouraging. The

committee, under the chairmanship of Lord Fleming, includes a few headmasters of public and secondary schools, two headmistresses, two members of local education authorities, and two trade unionists, besides a scattering of professional and business men, Mr G. D. H. Cole and the Bishop of London. Conspicuously absent is any name particularly associated with progressive ideas about education. This may have been inevitable from the terms of reference, which are not to inquire into post-primary education as a whole, with particular reference to the public schools—post-primary education has indeed been much investigated before—but merely to consider means whereby the association between the public schools and the general educational system of the country can be developed and extended, girls' public schools being included. This seems to assume that the existing connection is on the right lines, and that all that needs to be done is to extend it by giving more scholarships to elementary schoolchildren or by introducing the free place system in return perhaps for Government grants. In other words, it is apparently assumed that the present peculiar position of the public schools is to be maintained, whereas what is really wanted, as was emphasised in an article in *The Economist* of June 20th, is the development of a post-primary system of education diverse enough to fit the talents and desires of all children, in which the public schools will have shed their social exclusiveness and become the true socialist institutions which their traditions and community life could make them. It may be that the new committee will go beyond the terms of its reference and bear these wider interests in mind. But it is difficult to see how any really constructive proposals can come out of a committee which has the public schools as its *raison d'être*, not the reform of the country's education as a whole.

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Shorter Notes

After a heavy defeat in the Maldon by-election, where Mr T. Driberg, Independent, secured a 5,993 majority over the National Government candidate, the Government scraped home at Windsor. Its majority, however, was only 2,740, which is all the more remarkable since Windsor is a traditionally Conservative constituency, and the Conservative candidate was returned unopposed in the two previous elections.

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The divergence between the policy of Argentina and that of all the other American nations is growing steadily under the influence of President Castillo's anti-United States, anti-democratic and increasingly pro-Axis policy. This week has seen a further ominous step in Argentina's decision to recognise and comply with the German blockade. No Argentine merchantmen are allowed to enter an area bounded by Denmark, the east coast of Canada and the east coast of the United States.

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AMERICAN SURVEY

The Kaiser Saga

(From Our Washington Correspondent)

June 15th

LUMBERJACKS' tales, as tall as the timber they worked in, have for half a century built up the image of the mythological hero of the Northwest, Paul Bunyan. According to legend, Paul began operations in the woods of Michigan, Wisconsin, Minnesota; after these were cleared, he went west, through Idaho and Montana to Washington, Oregon, Northern California. He did things in a big way. During his early operations in the North Central states, his camps were so big that, in order to make enough flapjacks for the men's breakfast, he had to use a griddle so large that it took a battalion to surround it, and hire little boys with hams tied to their feet to skate around on it to grease it.

That same Northwest territory has been worked over a second time in our generation. The stories about Henry J. Kaiser now making the news are on the scale of the Bunyan saga—only Kaiser is real. His story reads like a nineteenth century theme translated into twentieth century technology and twentieth century objectives. It is the Rockefeller story, the Carnegie story, the James J. Hill story all over again. Only, on its technological side, the pouring of cement is substituted for the piping of oil, the manufacture of magnesium is substituted for the manufacture of steel, boatbuilding is substituted for railroad building. And on the side of objectives, Government decision about what is to be built is substituted for private decision.

Builder to the Nation

The story is probably most pertinent as a story of private enterprise in public business. The list of things which the Kaiser family has done—highways, dams, bridges, and now a bridge of ships—is from first to last a list of Government orders. But the filling of those orders by the Kaisers has been a classic of individual capitalism.

Kaiser went into the cement business. He took some new ideas with him. The application of those ideas brought the price down 30 cents a barrel. On his first major venture, pouring cement, his company was too little to get into the bidding—the job was Boulder Dam. So he linked six companies together, and got the \$48,890,995.50 contract. He finished it two years ahead of schedule. Next came Bonneville. Then Grand Coulee, the biggest construction job man has ever undertaken. (The cement—20 million tons of it—exposes an area more than three times the state of Pennsylvania). At Coulee there were problems: one was a 200,000 yard hillside on the move; the men on the job figured that frozen ground keeps its shape, so they froze the threatening area until the work was finished. It was on this project that Kaiser developed an overhead four-track trestle, from which, 1,180 ft. above bedrock, 13 cranes weighing 368,000 lb., worked simultaneously handling steel and pouring cement. When Kaiser priced railroad rates hauling sand and gravel to Shasta, most recent of the dams, he thought them too steep, so he built a ten-mile conveyor which hauls 1,100 tons an hour. The dams stored water; the Golden Gate Bridge spanned it. The formidable tides in the San Francisco harbour made the going tough; placed under difficulties, the 51 piers for the bridge had to be set deep, and stay there. He put them down; the lowest goes 242 feet.

Through these years, Kaiser's Gargantuan doings made little news. At the very time when the biggest projects ever undertaken were taking shape, the fashionable assumption was that America's construction period was over. But, within the last few weeks, newspapers and periodicals have fallen over each other to get the Kaiser story. The story they are now telling has many chapters. Kaiser is supplying the cement for new works at Pearl Harbour. Kaiser is excavating the third set of locks on the Panama Canal.

Kaiser is experimenting with the magnesium process of an interned Austrian; now working on ores from Luning, Nevada, he thinks the sea water and dolomite limestone at Moss Landing, California, may prove a better raw material. But most of all, Kaiser is building ships.

The Shipping Miracle

Kaiser had once considered building a fleet of ships as a good way to move cement around; and shipyards were included in his investment. But that was as close to a keel as he had come until he got a contract for 60 British freighters at the very end of 1940. At first he had a working arrangement with the Todd Shipbuilding Company, an old firm with the knowhow—but this spring that painter was cut. To-day he has eight shipyards of his own, strung along the Pacific coast, with 73 ways to them; his boast is that he can build 10,000,000 deadweight tons of shipping on these ways next year. (The President mentioned that figure as the merchant shipping goal for the entire country in his speech of January, 1942.)

His boast has body to it. In World War I, the Hog Island shipyards averaged just under a year—355 days—to a ship; their best time was 213.4 days. The average of the fastest yard constructing ships like the 10,400-ton *Liberties*, which form the bulk of the present programme, was 102 days. This time, the Maritime Commission started with 140 days as a reasonable period for a completion, and set 105 days as a goal. The first ship that Kaiser built took 197 days, the tenth took 146; the twenty-fifth, sixth and seventh finished for the celebration on May 22nd, came off in 71-65-60, and on June 1st the record was cut to 46 days.

There are several constant features to Kaiser's technique. If the time spent by each ship on the ways is cut down, if much of the construction takes place somewhere else, and the ways are used only to put it together, the need for more ways disappears. Kaiser ships, therefore, begin to take shape in long sheds some distance from the water. Preassembled double bottoms, fore and after parts, side sections, decks, funnels, converge on the ways to be lowered into place by huge cranes. Once these are in, the ship is slid out of the ways and tied up alongside the shore for further fitting, while the next keel gets its essential structure. The trick is to cut time by good timing.

On all his jobs, Kaiser works around the clock. That experience has given him skill in the use of the second and third shifts, from which the crucial margin of extra production must come. The theory of multiple shifts is that a plant's second shift can at best employ not more than 60-80 per cent of the number of employees on its first, and 40-60 per cent on its third. Most plants fall far below this level. Oregon Shipbuilding is running at a ratio of 100-63-40.

In days when sinkings outnumber completions, when the job of transportation just ahead makes the job of World War I look like operating a rowboat in a park, when the sights on the merchant shipbuilding programme need vigorously to be raised, this new Paul Bunyan saga is good news out of the West.

American Notes

Debate on the War

The debate on the war continues without a lull, but the better news from Egypt and the overwhelming defeat of the motion of censure in the British Parliament have made it less bitter. The United States would regard the replacement of Mr. Churchill as a catastrophe, and relief was all the greater because of the impression, which made some

headway, that this was a possibility. There has been, too, a determined campaign in many quarters to confine criticism of Britain to that which is constructive and friendly, and to emphasise the share of the responsibility which the United States must bear, through the quality of American tanks and the unreadiness of Pearl Harbour. But while the victory in the House was applauded, there was a feeling that it left many questions unanswered. A certain amount of doubt persists whether Mr. Churchill should not give up day-to-day supervision of the war; the facts about the equipment of the Eighth Army have underlined the need for better leadership. The *Baltimore Sun*, after praising the vote in the Commons, commented that Mr. Churchill's future, and perhaps that of the United Nations, depended on his ability to get better brains into the British Army. While other commentators were less blunt, there is a very strong feeling that there is something wrong with the direction of the war, and the pressure for a United Nations High Command is growing. There is speculation this week about whether a preliminary step, the creation of an American United Command, is about to be taken. It was reported that President Roosevelt was considering the appointment of a supreme commander for the US Forces, and it was thought that the post might go to Admiral Leahy, who, it is announced, will not return to Vichy. Nor has the pressure for a second front in Europe diminished, although out-and-out advocacy of British action in Europe is now confined in the main to the less responsible sections of the press and the public. It is these papers which are also conducting a campaign to bring MacArthur back from Australia, either to lead the second front, or to assume command of the United Nations—and which are most outspoken about the need of American generals for American troops.

Campaign in New York

The selection of their candidate for Governor of New York is one of the most critical decisions to be made this year by the Republicans. The governorship is regarded as one of the stepping-stones to the Presidency, and the Republicans are thinking ahead to 1944. More important still,

it will be another test of strength between the Republican Old Guard and the progressive Willkie wing. The most likely candidate of the conservative Republicans is Thomas Dewey, the Attorney General of New York City, who was soundly defeated in the 1940 elections for Governor. Even from their point of view, Dewey is far from an ideal candidate. He is regarded as a political opportunist, inexperienced, disliked by labour, and only a reluctant convert to the idea of international collaboration; and it is doubtful whether he could swing New York State, where labour holds the balance of power, and belief in intervention has always been strong. It is even reported that the Democrats have been quietly trying to encourage Dewey's candidacy. The only solid hope of the Republicans in New York would be to nominate a man who could attract Democratic and Labour votes; and the only answer appears to be Willkie, who in the 1940 elections for President won nearly as many votes in New York as President Roosevelt. Mr. Willkie's disclaimer of any aspirations to office is not taken too seriously, and it is thought that he could not refuse to run if any strong movement to draft him was organised. Only this week it is reported that the former Governor of New Hampshire, Mr. Murphy, has left the Republican party, with harsh words about its "synthetic and stumbling leadership in these desperate times," and its record of "petty partisanship, mediocre talents, personal and political aggrandisement at the sacrifice of principle." If the Old Guard triumphs in New York, the drift of able men out of the party will probably be accelerated.

* * *

Control of War Production

The announcement by Mr Donald Nelson of a "re-alignment" of the organisation of the War Production Board comes after the conclusion of two investigations into the Board, that of the Truman Committee and that of Dr Luther Gulick, both undertaken at the request of Mr Nelson. Mr Nelson has appointed two vice-chairmen, both engineers, one to act as his deputy and the other to be responsible for "the determination of the programme"; and a new director of operations will put "programmes

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DIRECT AND FULLY GUARANTEED	1,573,405,156.66	SURPLUS	100,270,000.00
STATE AND MUNICIPAL SECURITIES	86,783,596.12	UNDIVIDED PROFITS	40,799,654.82
STOCK OF FEDERAL RESERVE BANK	6,016,200.00		\$241,339,654.82
OTHER SECURITIES	177,852,501.75	DIVIDEND PAYABLE AUGUST 1, 1942	5,180,000.00
LOANS, DISCOUNTS AND BANKERS'		RESERVE FOR CONTINGENCIES	11,509,712.71
ACCEPTANCES	822,753,458.11	RESERVE FOR TAXES, INTEREST, ETC.	3,836,521.78
BANKING HOUSES	37,250,709.41	DEPOSITS	3,595,451,030.54
OTHER REAL ESTATE	6,878,110.34	ACCEPTANCES OUTSTANDING	4,625,177.35
MORTGAGES	8,043,652.52	LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	768,076.80
CUSTOMERS' ACCEPTANCE LIABILITY	4,041,384.63	OTHER LIABILITIES	6,753,566.13
OTHER ASSETS	9,039,843.76		\$3,869,463,740.13
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and policies into operation. Tendency to return the direction of war production to the Services has been noted for some time. Increasing numbers of civilian advisers have been appointed to the Services by Mr Nelson to supervise these functions, creating a very close interweaving of WPB and Service personnel which should help to assure that integration of strategy with production which Mr Nelson has promised. One recent conspicuous example was the appointment of four civilian advisers to Army Ordnance. The War Production Board will be free to concentrate on broad policies, and to give more constant attention to the urgent questions of the distribution of raw materials in short supply, machine tools, and new construction. It will continue, however, to be finally responsible for war production, and Mr Nelson has denied that any division of authority is contemplated. The Truman report and the Gulick recommendations were the product of the charges against the WPB made by Robert Guthrie when he resigned from the board (referred to in *The Economist* of March 21, 1942, p. 393). To a large extent the Truman Committee has accepted the Guthrie criticisms: that the WPB was too slow in converting industry to war production; that those responsible for conversion resisted it, while paradoxically those responsible for civilian supplies, such as Mr Henderson, were the most enthusiastic advocates of curtailment. The Committee commended Mr Nelson personally, but concluded that in general the WPB had been content with mere curtailment of civilian supplies, and had failed to press the conversion of facilities; that this was the fault of dollar-a-year industry representatives who were "unable to divorce themselves from their subconscious gravitation to their own industries"; and that control over conversion and the distribution of contracts should be granted to the recently created Smaller War Plants Corporation. Mr Nelson is known to be firmly convinced of the need for experienced industrialists in the direction of war production, and it is reported in the American magazine, *Time*, that he felt the report so unfair that he asked for a postponement of publication, which was not granted. Dr. Gulick's commission to recommend reforms in the WPB organisation suggested, however, that there was some substance in the Guthrie complaints. Dr. Gulick recommended a clarification of authority within the Board, the lack of which constituted one of Mr Guthrie's main grievances. The new appointments at the top of the WPB are clearly intended to meet this point, and they are also evidence of Mr Nelson's willingness to follow up constructive criticism. There is no evidence, as yet, though, that the changes in the control of war production involve a recognition of the principle that controllers should not supervise their own industries.

The Silver Lining

There is an Alice-in-Wonderland quality about the silver situation. Supplies are so short now in relation to demand that they are being unofficially rationed in New York, yet the Treasury, under existing legislation, must continue to buy domestic silver, and only foreign supplies reach the market. Silver is price-fixed at 35½ cents an ounce, but the Treasury is paying 71.11 cents an ounce. This increasing demand for silver for war purposes has led the War Production Board to request the Treasury to release 40,000 tons of silver for the construction of bus-bars, used to conduct electricity in the processing of aluminium. In January, Secretary Morgenthau made a plea for the elimination of silver legislation from the statute books, particularly those provisions which required the Government to purchase domestically mined silver at such an outrageous price; but hopes that the Government would defeat the powerful silver lobby by a frontal attack have proved premature. The legislation remains untouched, and, in addition, the silver bloc has been conducting a vigorous campaign against the restrictions on mining equipment imposed by the War Production Board. The policy of the Board was to give preference in equipment to mines producing the largest quantities of strategic metals such as copper, zinc, and lead; and, in March, it issued an order refusing priority ratings for mines whose gold or silver output was 30 per cent or more of their output. Pressure by the lobby compelled the WPB to grant a blanket priority to gold and silver miners; but apparently the WPB has yet to assign the serial number which would make purchases of equipment possible in practice. The continued employment of labour and equipment in silver mining, when the Treasury holds an enormous stock of silver which could be used for war purposes, as a substitute for tin and copper,

is illogical and indefensible; but Mr Morgenthau has advised the WPB that legislation is necessary before the monetary silver may be released. If the Board persists, it may be the silver lobby's last battle; but it must be remembered that this is an election year, and western Congressmen will do their best, or worst, for their constituents.

Mineral Production

In order to meet the demands of the Defence Departments for a general guide to mineral supplies, the Bureau of Mines this year has compiled its annual estimates of production with greater speed than usual. The results are impressive. At \$6,600 millions, the value of America's minerals output exceeded that of the preceding year by 18 per cent. It was roughly twice as high as in 1934, and has in the past only once been surpassed, namely, in 1920, when prices reached the peak of the post-war boom and far exceeded the average price level of 1941. The 18 per cent increase on the year is partly the result of higher prices, although some important mineral prices—and in particular those for the two light metals, aluminium and magnesium—have been reduced. At the same time, the volume of production has been materially raised and such important products as aluminium, magnesium, zinc, iron-ore, crude oil, petrol, including aviation spirit, and coke were produced last year in larger quantities than ever before. Among the various groups of minerals, that of mineral fuels, comprising oil, coal and coke, continued to account for more than half the country's total mineral output. At \$3,630 millions, the estimated value of this group showed an advance of 18 per cent on the year and was the highest since 1920. The output of crude oil, at 1,404,000,000 barrels, and of coke, at 64,678,800 short tons, established records. Production of bituminous coal, at 502,860,000 short tons, was 11 per cent up on the year but remained below the 1929 record, while production of Pennsylvania anthracite, following its steady decline since the last war, reversed its trend in 1941 by rising 6 per cent on the year to 54,351,000 short tons. The value of production of metallic minerals in 1941, at \$1,970 millions, was 17 per cent higher than in 1940 and has previously been exceeded only in 1917 and 1918, when prices were far higher than last year. In this group new records of iron ore shipments (92,684,000 tons or 23 per cent more than in 1940), light metal supplies (with increases on 1940 ranging between 50 and 107 per cent) and zinc supplies (an increase of 12 per cent) were outstanding. The great majority of other metals also showed advances both in quantity and value; only the output of gold and silver fell slightly. The value of the output of the group of non-metallic minerals, excluding fuels, advanced by 21 per cent to exactly \$1,000 millions, and was the highest for a decade. Building materials such as cement, stone, sand and gravel, as well as lime, gypsum, clay products, salt and sulphur, recorded marked advances. At the same time, a number of minerals normally almost entirely secured from foreign sources, like asbestos, graphite, kyanite and mica, were produced in sizeable quantities from domestic sources.

Shorter Notes

The Navy has made an appeal to fishermen and yachtsmen for 1,000 small boats to be used to report movements of submarines and to rescue survivors of the Battle of the Atlantic. Over a thousand of such craft are already in service with the Navy. According to Admiral Vickery, of the Maritime Commissions, sinkings are still greater than launchings of new merchant ships.

Congress has passed a Bill authorising the Federal Reserve System's Board of Governors to relax the reserve requirements of member banks. Reserves in New York had fallen so low that the success of future Treasury issues was felt to be endangered.

Congress has reached a compromise on the appropriation for the Department of Agriculture. Legislation has been passed providing funds for activities on which the House and Senate are agreed; for the activities on which the two Houses are not agreed the Department can spend money during July and August at the rate of the 1942 appropriation. Congress has been holding up the appropriation in order to force the enactment of a provision forbidding the sale of stocks of grain at below parity prices.

THE WORLD OVERSEAS

The Quebec Minority

(From Our Ottawa Correspondent)

June 16th

THE continuing problem of unity in a federal system calls constantly for vigilance and for ability in composing economic and social differences among outlying sectors. To have that problem accentuated by a sharp, deeply-rooted racial difference is Canada's distinction. No understanding of the historic conscription debate that has taken place in the Canadian Parliament this summer is possible without keeping both these aspects in mind. The solution must be reconciliation, for French Canada will never, in the foreseeable future, be assimilated.

There is no precise parallel to be found for the problem of Quebec in a study of other economic strains that have beset the Canadian Confederation—for example, in the traditional objections taken in the Atlantic maritime provinces to policies dominated by "Upper Canada." Nor is there guidance in the historic campaign for economic equity by the western provinces, which finds kinship in many of its basic causes with the secession sentiment of West Australia a few years ago, or in the rising populism of the western states of America in an earlier era.

Nor can one uncover here the precise pattern of federal disruption that developed in the American Union in a generation of growing irritation between the South and the rising industrial economy of the North that presaged the War of the States. There has been extremist talk in Canada, these recent weeks, that the conflict between Quebec and Ontario, if pressed too far, must lead in time to civil war. But this would certainly not happen under the shadow of world war. The position of the French-speaking minority, representing nearly 30 per cent of the population, creates the paramount problem of Canadian statesmanship, and the events of this summer are another reminder of that fact. Its origins lie far back in the British occupation of Canada in 1763. It is not merely a matter of economic conflict. It is the greater problem of maintaining harmony where a cohesive and enduring minority possesses racial and religious distinctions.

The Two Views

A classic statement of Quebec's opposition to conscription, and the related issues, came from P. J. Arthur Cardin, a former Minister of Transport and Public Works. He was a descendant of the founders of Canada, he said, of those who first discovered and established Canada as a civilised, Christian country. He was proud of his race. He had to reason in his mind why he had to support the British flag, and spend his energies on the defence of British rule. Canadians of British stock, on the other hand, acted from the impulse of the heart when England was concerned. Their hearts became inflamed at the mention of the British Empire.

Actually, the majority of English-speaking Canadians in 1942 possess few of the characteristics attributed to them by Quebecers of the Cardin school. The main points cleaving up the Quebec nationalist position are pride of race and claim to indigenous Canadianism, opposition to British imperialism of which conscription has become the established symbol, and a conviction that French-speaking Canadians occupy a position of economic inferiority within the Confederation. "There is no great wealth," said Mr Cardin, "to be conscripted from the hands of French Canadians, because they have no great share in the economic development of Canada. We have lived alone in our corner, in our little part of Canada. We have always been told that we would not be forced to go and fight outside the limits of Canada."

That, then, is the basis of the conflict between Quebec, dominated by the Catholic Church, with its society based upon its own educational standards, and the English-speak-

ing provinces. It has become more marked under war conditions. This is a war of science and mechanisation. The educational background of the Quebecer is an initial disability to his complete absorption into the modern army of the kind Canada has created. There are disabilities of longer standing, imposed by the English-speaking traditions of Canadian army administration. Only within the past year has a serious attempt been made to organise French-speaking units larger than a battalion, and only a few months ago was the army manual issued in French for the first time.

The economic inferiority of the French Canadian, an obsession not only in Quebec, but in certain other parts of Canada, has less foundation. The Rowell-Sirois Commission examined the position of all the provinces, and failed to find evidence to support the theory of Quebec inferiority. It discovered, in fact, that Quebec consists of a number of regional economies of unique diversity, from the metropolis of Montreal and its rich tributary area to several sub-marginal areas on the lower St. Lawrence, and on the northern frontiers. Even to-day, there are settlements of central Europeans on land that French Canadians gave up as too barren. The economic position of destitute areas of the prairies is worse than many of the poor, rocky farms of Quebec.

The Imperialist Minority

What passes for British imperialism in popular politics in Canada arouses aversion not only among Quebecers. In a Dominion that has led in developing the concept of Commonwealth, Mr Cardin would find difficulty in locating a majority of English-speaking persons whose hearts inflame at the mention of England or the British Empire. The English-speaking provinces, moreover, are more mixed in racial origins and outlook than the Quebec minority. There is an imperialist minority. It is usually identified with Ontario and Toronto, because it usually finds expression in a section of the Toronto press. But it is a dwindling minority of colonialism. It is true that this minority, like the Quebec minority, but for different reasons, views the issue of conscription with special sentimentality.

Within the confines of this conflict, Canadians find a set of extreme and irreconcilable views that feed upon animosity. The voice of the majority of Canadians is probably closer than either extreme to the view expressed by

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Brooke Claxton, M.P. for a Montreal division. He said: "Both groups of extremists are basically colonial-minded; both of them charge each other with disloyalty; the clashing knives of their bitterness sharpen each other; both are wrong; both threaten national unity, and interfere with the war effort; both undermine Canada's faith in herself, and prevent her from taking the full responsibilities of nation-hood."

Social Policy in Poland

[BY A CORRESPONDENT]

THE chief aim of Germany's social policy in occupied Poland is, according to the Nazi press, to differentiate between Germans, Poles and Jews, and to separate these main sections of the population from one another. For instance, the best available living quarters in Polish towns are usually reserved for the Germans, and various municipal councils have issued special orders forbidding non-German people to enter their towns, in view of the lack of accommodation; the worst slum quarters, on the other hand, are reserved for the Jews. The food rations of Polish people are only about half of the German rations, and the Poles are not allowed to buy any clothes except necessary working clothes; the Jewish clothes ration is still lower.

Polish workers in the Reich receive only 85 per cent of the ordinary wages and they do not receive many of the benefits of the German social services; they must in practice pay higher taxes, since no dependants' allowances are granted. In the Polish General Government, a new regulation for agricultural wage rates is now in preparation "which will make it possible for the German agricultural worker to attain a standard of living distinctly different from that of the Polish labourer." The necessity of higher wages for the German workers in Poland is sometimes justified by the argument that they have, at the same time, to act as "political soldiers in enemy territory."

It was originally planned to employ a large proportion of the Polish population on German territory, and over a million persons were actually transferred from Poland to German farms and factories during the first year or so after the German invasion. However, these transfers were apparently on a smaller scale during the last few months, and the total number of Polish workers in the Reich was roughly 1,100,000 in April this year, according to the German wireless. Dr. Meinhold, of the Institute for "German Labour in the East," has recently pointed out that, in theory, several million Poles might be made available for work in Germany, but this "would be dangerous from the racial point of view." There is indeed much evidence that a large proportion of the German population have refused to treat Polish workers with enmity, and no complete segregation can be attained if large numbers of Poles are sent to Germany.

Much to their own dislike, the Nazis had, therefore, to employ increasing numbers of Poles in Poland itself. The number of Poles at present engaged on industrial work in the General Government seems to be only slightly smaller than it was in the whole of the Polish Republic before the invasion. A certain number of the Polish workers have been employed in semi-military labour companies for some time past. In April, 1941, the "Building Service," a Polish variety of the German Labour Service, was made compulsory for all youths of 21 and 22 years of age; they have so far been chiefly occupied in road building, irrigation work and so on. A similar labour service has now been made compulsory for the whole male population except Jews and gypsies, and it is very likely that increasing numbers of Poles will actually be called up and used for every kind of work in the near future. The spirit of the labour regimentation in the General Government can easily be grasped from the educational efforts of the Labour Front camps in Poland, where Poles are trained in eight-week courses to become semi-skilled bricklayers and carpenters. The instruction in these 29 camps is purely

military in character; building processes have been divided, for the purpose, into a number of simple operations; each of them, for instance, the throwing of bricks or the swinging of trowels, is done by the trainees on military orders. The orders are partly given in German, and the instructions are often interrupted by tool parades, clothing parades and so on.

The manpower of the numerous Polish Jews is, of course, also used by the Nazis, the more so since many of them are skilled artisans. They mostly work within their ghettos on behalf of German firms; the *Koelnische Zeitung* recently wrote about these workers, in defiance of the whole "racial" theory: "Their work is satisfactory. . . . The Jew proves himself to be a skilled manual labourer." In Lublin, a number of Jews were even asked to work in German factories and offices, and they were given special living quarters, separated both from the ordinary ghetto and from the houses of the Aryan population. Furthermore, last December, when the deportation of German Jews to Poland was at its height, a number of Polish Jews were forcibly sent to labour camps in Germany. Seldom has the folly of "racialism" revealed itself more clearly than in Nazi-controlled Poland.

Chilean Copper Developments

[BY A CORRESPONDENT]

June 20th

ACCORDING to the United States Bureau of Mines, Chile's copper production in 1941 was the highest ever recorded. At 453,594 metric tons, the year's output was 115,893 tons up on the year and exceeded the previous peak, in 1937, by almost exactly 40,000 tons. Actually, the new record figure does not reflect the full importance of last year's advance. In January, 1941, Chile's copper industry produced only 29,603 tons of the metal, an annual rate of 355,236 tons, while, in December last, output had advanced to 43,364 tons, or 520,368 tons yearly. Early this year the rise continued.

The rapidly rising trend of Chile's copper production deserves attention for more than one reason. Last year, roughly 90 per cent of Chile's copper supplies were absorbed by the United States, and since February, 1942, the whole of the country's copper surplus is at the disposal of the United States Government under an agreement concluded between the Government-owned United States Metals Reserve Company and the Chilean authorities. The country's rising copper production is not only of value to the Allied armament industries during the war; it will also influence world markets after the war. Moreover, since the decline of Chile's nitrate industry, copper has become the backbone of Chile's national economy. Last year, copper accounted for three-fifths of Chile's total exports by value, and the proportion is increasing. Finally, the prosperity of Chile's copper industry is of importance to the holders of Chilean bonds. Under the country's current external debt scheme, the Chilean Government's tax receipts from the copper industry are transferred to the Chilean Autonomous Amortisation Institute and earmarked for the service of the foreign debt. Last year, these copper payments amounted to 70 per cent of all funds available for the foreign debt service. After the record production in 1941, the proportion should be still higher this year.

Chile's copper industry is not young. Even before the discovery of the American continent, the Incas mined copper in Chile. When the foundation of a world copper market was laid about a century ago, Chile, which then sent the bulk of its ore to Swansea for treatment, was the world's largest copper producer. It retained this position until 1882, when the United States took the lead. At the outbreak of the last war, Chile produced 43,000 tons of copper per annum and occupied fourth place among the copper producers. During 1914-18, however, the huge British and United States demand had a big effect on the Chilean copper position. In 1915, the Chuquibambilla mine in Antofagasta entered production in order to meet the high international demand, and since that time Chile has been second among the world's copper producing areas. By the end of the last war, its output had exceeded 100,000 metric tons per annum. By 1926, it had passed the 200,000 tons mark. Three years later production exceeded for the first time 300,000 tons, and in 1937 it passed 400,000 tons. This year it will almost certainly jump to over 500,000 tons.

Technical Advantages

Altogether, the copper content of all known Chilean copper deposits amounts to no fewer than 35,500,000 metric tons, or about one-third of the known reserves of the entire world. Apart from the size of the ore reserve, Chile's copper ore is easily mined and refined. Chuquibambilla copper, for instance, is mined by open-cast method, and the ore contains hardly any admixtures which require special refining methods. In fact, the great bulk of Chile's copper ore is refined within the country, and most of the Chilean copper smelters produce substantial quantities of precious metals, especially gold and silver as by-products. These advantages outweigh the chief drawbacks of Chile's copper mines, which is their geographical situation high up in the Andes; this required expensive railway construction in the early development stages of the industry.

Chile's copper production is dominated by United States capital. The Chuquibambilla deposit is exploited by the Chilean Exploration Company, which like the Andes Copper Mining Company, exploiting the Potrerillos deposit, is a subsidiary of the United States Anaconda group. The El Teniente deposit is worked by the Braden Copper Company, a subsidiary of the American Smelting and Refining Company. In 1941, these three groups produced between them no less than 97 per cent of Chile's total copper.

The favourable working conditions of the Chilean copper industry, together with the supplies of United States capital on the one hand and the unlimited United States demand on the other, will almost certainly assure a rapidly rising output from Chilean copper mines for the remainder of the war.

Shorter Notice

"A German Protectorate." By Shiela Grant Duff. Macmillan. 12s. 6d.

IN any study of the "New Order," Czechoslovakia must occupy a prominent place. It has had a longer experience of Nazi rule than any other non-German state. This book is an important contribution to such a study, and Miss Grant Duff is especially well qualified to write it. Any account of Czechoslovakia written in England to-day must be incomplete. But as far as the material available (chiefly the German and Czech Press and broadcasts) permits, Miss Grant Duff has given a full and careful picture of what Nazi rule means for a non-German people. The constitution of the Protectorate is theoretically a diarchy, the hierarchy under the Reich Protector being parallel to the so-called autonomous government of Dr. Hacha. But it is in the nature of all diarchies to be shams. The Germans rule the Protectorate, and the Czech Cabinet, civil service and police are merely agents of the German will. From Miss Grant Duff's analysis two things emerge. The first is the deplorable damage done to the Czechoslovak state and the Czech people. The Germans have overthrown most of the achievements, political, economic, social and cultural, of Masaryk and his collaborators. Secondly, this book makes it clear that the work of rebuilding of the Czechoslovak state will not be easy. Hundreds of thousands of Czechs have been driven into exile or deported as serfs; for three years, no Czechs have been trained as doctors, lawyers, schoolmasters or university teachers; thinking and discussion have been repressed, and the press has been perverted and enslaved. The history of the Protectorate has yet to be written; Miss Grant Duff's book is a valuable first volume of that history.

Book Received

- Provincial Brokers Stock Exchange Year-Book, 1942.* (Hull) Parliament Chambers. 171 pages. Gratis to members.
- Japan's Industrial Strength.* By K. Mitchell. (London) Allen and Unwin. 94 pages. 2s. 6d. net.
- Miller's Excess Profits Tax, 1941 Supplement.* By W. Miller. (London) Eyre and Spottiswoode. 183 pages. 12s. 6d. net.
- The Structural Basis of Indian Economy.* By H. Venkata-subbiah. (London) Allen and Unwin. 156 pages. 7s. 6d. net.
- Labour Conditions in War Contracts. International Labour Office. Studies and Reports. Series D (Wages and Hours of Work).* No. 23. (London) P. S. King and Staples, Ltd. 59 pages. 1s. net.

Canteens for war workers



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German Europe

Vagrant Money

At the end of March, 1942, Germany's total debt stood at Rm 142,030 millions. The average monthly increase has been Rm 4,500 millions, suggesting that, at the end of May, the total exceeded Rm 150,000 millions, which was the total reached at the end of the last war. When the post-war inflation had run its course, this tremendous State debt had been wiped out; numerous small investors and owners of real estate simultaneously lost their investments or property; small savings disappeared; during the inflationary period itself, real wages were appallingly low. It is not surprising that the German people dread nothing more than another inflation. The slightest sign of an upward rush in prices jogs their unhappiest memories.

Actually, conditions in 1942 are quite different. The comprehensive system of control makes inflation of the kind experienced between 1918 and 1923 impossible as long as the control measures remain effective. The wage stop has prevented any spectacular increase in wages. Severe rationing has not led to a dangerous excess of purchasing power among the great bulk of the working class. The wages tax is 150 per cent of the pre-war rate. Working class savings have probably remained at the pre-war level. The system of iron savings introduced last autumn, which was in effect a reduction in taxes, shows that there was no appreciable margin of wages left for savings. There has been a large increase in small savings, but this comes mainly from small shopkeepers and small businessmen, who have either sold out their stocks or been concentrated.

The monetary scene in Germany is ruled by the rise in purchasing power derived from the wartime liquidity of agriculture and industry. This is the explanation of the heavy demand for shares. Shares were the only "free" commodity in Germany apart from real estate. The public looks upon them as *Sachwerte* (real value) and were naturally eager to invest the wartime surplus derived from greater earnings and idle reserves. The majority of shares in Germany are held by big concerns and companies; demand, therefore, exceeded supply; and, after many threats, shares acquired after September, 1939, had to be registered. At the beginning of June, 1942, a general call up of these shares was made possible by a special decree. Holders of registered shares may not sell them without having offered them to the Reichsbank. If shares exceeding Rm 100,000 in market value are called up, they will be exchanged for Treasury bonds, which will be blocked for the duration. The Reichsbank will use the called-up shares to increase the supply on the bourse, if necessary.

Actually, dealings on German bourses have come almost to a standstill since the introduction of registration. Vagrant purchasing power is, therefore, seeking investment in house property and other *Sachwerte*, such as paintings, jewellery, *objets d'art* and stamp collections. The demand for *Sachwerte* is not necessarily due to distrust in the Reichsmark. The tremendous demand for war production, since the attack on Russia, has put an end to the possibility of normal repairs and replacements in industry and agriculture. There has been another concentration of industry. Idle money capital was bound to increase at a faster rate than before. The suggestion of abolishing depreciation accounts has been rejected; the proposal to close the bourses has not been accepted. Another remedy to curb the vagrant money is now being discussed. The Government, it is suggested, should no longer advance payments to private industry, but should leave the financing of public orders to the banks which are desperately trying to find an outlet for their enormous deposits.

Nobody in Germany believes that the country, if reduced to its former size after defeat, would be able to bear the present debt without crippling the entire economy. The present policy in its monetary aspect is possible only because of complete control and because of the hope that the actual capital losses will be made good after the war by consolidating Germany's conquests—a hope which is reflected by the proposal in the press that the shares of companies in the conquered countries of Eastern Europe should be placed on the market.

Continental Oil.—*Continental Oel AG, Berlin*, founded in the spring of last year, has published its first annual report, covering the period from March 27, 1941, to December 31, 1941. This concern, in which the German Government holds an important interest, was founded for the centralisation of the European oil industry under German domination. The report contains no details. By acquiring capital interests in oil companies and refineries, a foothold was gained in foreign countries; and former German property—that is to say, property that was in German hands before the last war—has been regained. This probably refers to the leading Roumanian companies *Concordia-SA* and *Steaua Romana SA*. For operating the Roumanian interests, a subsidiary, the *Deutsch-Rumänische Mineraloel GmbH*, has been founded.

The conquest of Russian territories extended the concern's activities. The Ostland Oil Distribution Company was specially founded to develop the shale oil industry of Esthonia and to distribute oil and oil products in the occupied territories. *Continental Oel*, which is mainly a controlling and holding organisation, showed during its first business year a loss amounting to Rm 1.43 millions.

Fuel Economy.—German industry, asked to economise in the consumption of fuel, has found it necessary to offer a bonus to stokers. The bonus system has had good results; and the labour trustees have been persuaded to permit this increase in wages. For the first 20 tons of coal saved, the stoker gets Rm 0.45 per ton; for every further 20 tons saved, the bonus is increased and reaches a maximum of Rm 2.5 per ton.

Building.—Minister Speer, who is also special commissar for the building industry, has reorganised the priority system for building. The new regulations are mainly concerned with stopping work on all buildings not needed for fortifications. Material and labour released will be used on the most urgent works. At the same time, building contractors who continue non-essential works will be heavily penalised. Building contractors, Government officials and even foremen have been warned once again to check all work under construction in order to release as much material and labour as possible.

Concentration in Sweets.—A special decree regulates the production and distribution of sweets. The volume of production has been drastically reduced. A considerable number of wholesalers and retailers will be closed down. No deliveries may be made to restaurants and canteens, grocers, tobacconists or wine shops.

Clothing.—Last year, clothing retailers experienced a shortage of material, and the Clothing Board ordered a compulsory reduction of the stocks held by the textile industry and by wholesalers. This action is said to have been very successful in securing the restocking of retailers, and will be repeated this year. By the end of this year, textile factories must have reduced their stocks by 18½ per cent. In addition, 6 per cent of the output during the third quarter of 1942 must be kept ready for special delivery. This is explained by the necessity of reorganising the system of distribution after a great number of textile factories have been closed down under the new concentration.

The variety of material for clothing has been considerably reduced and special regulations will be issued to the clothing industry for the most suitable methods of using the new material in the manufacture of clothing. The fourth clothing card is due in January, 1943. It is stated that the card is in preparation. Meanwhile, points 1 to 20 of the third clothing card have been declared valid from November 1, 1942. Validity of the second clothing card has been extended until August 31, 1943. The third clothing card is thus still mainly a reserve card, whose different coupons will become valid according to the supply situation, which is obviously strained.

Luxemburg.—The Government has taken over the entire assets of the Luxembourg railways. Shares of the *Wilhelm Luxemburg* railway and the *Prinz Heinrich* company will be paid Rm. 82 for nominal Rm. 50. Preference shares will be paid Rm. 21.4 for nominal Rm. 10. German price regulations and price-law will come into force on June 1, 1942.

German-Dutch Collaboration.—The Central Order Department in the Hague announced recently that the total value of the orders placed by German firms in Holland amounts to roughly Rm. 2,500 millions.

Russia at War

Electricity and Coal

ONE of the major difficulties with which the evacuated Soviet industries have been confronted is the supply of electrical power. The third Five-Year Plan provided for a very great increase in the production of electricity; the "target figure" for 1942 was 75 milliard kw. hours (against 39.6 milliards in 1938). A large proportion of the new power plants were to be constructed in the eastern regions on Siberian rivers; 91 fuel power stations were planned in Western Siberia and Kazakhstan. Their geographical distribution was planned in a decentralised manner in accordance with the general tendency of construction in the last pre-war years. The achievements in switching over to electrical power supply in industry were, in fact, very substantial. Lenin's famous equation, "Socialism = Soviets plus electrification," deeply impressed the young generation of Soviet technicians and industrial managers; they took a justified pride in the development of electrification and measured the progress of the new economy by the numbers of kw. hours produced every year.

But these plans could not provide for the abnormal contingency of such a massive evacuation of industries as took place in the second half of last year. And it was precisely in the Urals, one of the main reception areas for war-evacuated plants, where electrification lagged behind. Since the end of 1941, a feverish effort has been made in all the reception areas—in the Volga region, in the Urals, in Siberia and in Central Asia—to build new power stations and to use the old ones more intensively. The difficulties have been enormous—lack of building materials, shortages of labour and of fuel. Figures for May and June have shown an increase in output by the old power stations; but reports on the construction of new electrical plants complain of the unsatisfactory tempo of work. The Urals—now the main centre for iron, steel and metallurgical industries—still remain the weak spot; and *Pravda* recently drew attention to the unsatisfactory state of repair work in the Urals power stations.

Insufficient supplies of fuel have also been a difficulty. Many of the electrical power plants have to work on peat. The output of peat has come under the responsibility of the People's Commissariat for Power Stations, and the press has recently addressed some sharp remonstrances to the Commissariat for its failure to supply the power stations with adequate quantities of peat. The power stations that work on coal also complain of irregularity in supply, and *Pravda* has repeatedly appealed to railwaymen not to hold up coal transports destined for electrical plants.

The coal position has also shown some instability. With the resumption of the fighting in the Donetz area, the coal output there must have been practically lost. The total output of the eastern regions was planned to reach about 85 million tons in 1942. The results of 1941 varied from region to region. The Kusnetsk Basin fulfilled the plan, though with some difficulties; the Ural mines did not. The reports about the first half-year of 1942 give a somewhat confused picture. The "over all" results are more or less optimistic. It is said that production in June exceeded the figures for May very substantially. But more detailed reports are less reassuring. The Karaganda Basin did not fulfil its plans during May and June. The loss will be seriously felt by the iron and steel industries in the Urals because Karaganda coal is of a high quality, and any falling off of Karaganda supplies makes the iron and steel works more dependent on the Urals brown coal. The Kusbass mines,

Household Utensils.—A system of private rationing has been introduced by retailers in many German towns to prevent the "hoarding" of household utensils. German retailers have been complaining for some time that any new stocks of kitchen and household utensils are sold out at once. Retailers in many towns are, therefore, marking clothing cards for each purchase. In some towns, special cards have been issued, which carry coupons for 14 groups of articles. In other towns, blank cards are in use, issued by the municipal administration on which the retailer marks each purchase. It seems that these experiments are officially encouraged, and they may be followed by a general system of rationing.

on the other hand, have fulfilled their plans quantitatively; but the quality of output has left much to be desired. The main difficulty there has been in the output of coking coal. For several months, a rather heated correspondence has been going on in the press between managers of the Kusnetsk mines and directors of the Magnitogorsk steel and armament works. The latter have complained about the poor quality of the coking coal which prevented them from working according to plan. The managers of the Kusnetsk mines have replied that coal is being unduly wasted in the steel works. The press seems to put the blame at the doors of the coal producers rather than at those of the steel directors.

Murmansk Harbour.—The following figures illustrate the intensity of the work performed at Murmansk harbour during the first half of 1942. They also indicate the growing flow of Allied supplies to Russia. The average load handled per dockworker in January, 1942, was under 3 tons per working day. In February, it rose to more than 4 tons, in March to 5.1 tons, in April to 5.2 tons. In May, there was a sudden leap to 9.3 tons, and in June this figure was even exceeded. There were dozens of air-raids over Murmansk during June; but these have not seriously affected the unloading of supplies or their transport to the interior of Russia.

Aviograd.—Aviograd, or the Town of Aircraft, is the name of a new industrial town built on a bare steppe. The town has specialised in aircraft production. It has sprung up during the months of industrial evacuation. It has blocks of three and four-floor houses, cinemas, clubs and libraries. The aircraft plants work at full stretch, and rows of planes leave the assembly shop at frequent intervals. Many similar factory towns have sprung up like mushrooms in the remote northern tundra during the first half of 1942.

Invalids' Labour.—A decree of May 16, 1942, has put upon industrial managers the obligation to provide work and housing accommodation for wounded ex-servicemen. At the same time, special training courses have been organised for invalids unable to work in their former trades. They are now being trained for light jobs and office work. The general shortage of labour and the relatively big numbers of disabled ex-servicemen make it imperative to speed up rehabilitation and training to the utmost. Training courses have been organised directly in military hospitals so as to enable invalids to take up jobs immediately after convalescence.

INDEX TO VOLUME CXLII

Shortage of paper makes it impossible in wartime to follow the normal practice of distributing to every reader a copy of the Index to *The Economist*. Copies of the Index to Volume CXLII (January to June, 1942) will be available on July 17 and will be sent, free and post free, to all those who have applied since July, 1941, and to any others who make application now.

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THE BUSINESS WORLD

A Wheat Plan

AFTER protracted negotiations, interrupted by the outbreak of war, but resumed in Washington in July last year, officials of Argentina, Australia, Canada, and the United States (the great exporting countries), and of Great Britain (the leading importer), concluded an agreement last April which came into operation on June 27th with the approval of the Governments concerned. The agreement falls into two parts. First, it provides for the creation of a relief pool of wheat and flour for distribution among "war-stricken and other necessitous areas so soon as, in the view of the five countries, circumstances permit." To begin with, the Governments of Canada and the United Kingdom are to contribute to the pool 25,000,000 bushels of 60 lb. each and the United States 50,000,000 bushels; but the United Kingdom may contribute transport capacity in lieu of part or the whole of its share. If more is required, the five signatory countries are to contribute the additional quantities needed in agreed proportions. Secondly, and this has been the main object of the discussions, the agreement provides for a plan designed to smooth the disastrous fluctuations in wheat prices which have been the curse of exporting countries, and to expand the market for cheap wheat in importing countries. This plan, or draft convention, is to be submitted to a conference of the nations "having a substantial interest in international trade in wheat which are willing to participate." Pending the conclusions of this conference, which can hardly be convened before the end of the war, the five countries will bring into effect among themselves certain provisions of the scheme at a date to be announced within six months after the cessation of hostilities.

The importance of the plan is threefold. First, it represents an attempt, sponsored by the Governments of the four principal exporting countries and of the chief importing country, to solve, for one important commodity, the problem of inordinate price fluctuations which has long harassed the producers of many primary products and made for world economic instability. Secondly, it may be used as a model in the preparation of schemes for other primary products—and may thus vitally influence Great Britain's prosperity, which must continue to depend on the import of cheap foodstuffs and on the conversion of cheap imported raw materials into manufactured goods. Thirdly, the scheme provides a test of the goodwill of five important countries in translating into practice the principles of the Atlantic Charter and of the Lend-Lease master agreements. The draft convention, therefore, deserves careful scrutiny.

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The Principles

The principles of the scheme are not new. They comprise

national and international measures for the regulation of wheat production in both exporting and importing countries, for the orderly distribution of wheat and flour in domestic and international trade at such prices as are fair to consumers and provide a reasonable remuneration to producers and for the maintenance of world supplies which shall be at all times ample for the needs of consumers without being so excessive as to create a world burden of unwanted surpluses.

Countries which have hitherto employed land uneconomically for the high-cost production of wheat by erecting barriers against the import of cheap foreign grain are exhorted to change over to the production of other more suitable foods rich in vitamins, proteins and minerals. The Governments of Argentina, Australia, Canada and the United States, in turn, are to adopt appropriate measures to ensure that the production of wheat in their territories does not exceed the quantity needed for domestic consumption and the basic export quotas and maximum reserve stocks for which the agreement provides—a principle which, according to the way in which it is quantitatively interpreted, plainly involves the danger of restriction and restraint of trade as much as it does the possibility of smoothing out fluctuations. If production in any one of the four exporting countries exceeds the "prescribed" quantity in any crop year, the Government of that country must take steps to ensure the disappearance of the excess before the end of the next crop year, subject to special provisions for excess production due to a yield above the average of the preceding twenty years.

While provision is made for special contingencies, the four exporting countries are to ensure that stocks of old wheat at the end of the crop year are neither inadequate nor excessive. The lower and upper limits have been fixed as follows: 35,000,000 and 130,000,000 bushels for Argentina, 25,000,000 and 80,000,000 bushels for Australia, 80,000,000 and 275,000,000 bushels for Canada, and 150,000,000 bushels and 400,000,000 bushels for the United States. Surplus stocks may be held in case of an abnormally high yield.

Exports are to be regulated by reference to periodical estimates of the total volume of international trade in wheat and flour, and each of the four exporting countries is to be given a quota. There are to be three kinds of quota: basic, secondary, and supplementary. The total volume of trade done by Argentina, Australia, Canada and the United States is to be shared in the proportions of 25, 19, 40 and 16 per cent respectively; but the actual size of these countries' basic quotas will be adjusted to allow for the exports of countries not adhering to the agreement and for the allocation of basic quotas to other exporting countries which decide to participate in the scheme. If the combined exports of the four signatory exporting countries exceed 500,000,000 bushels in any quota year, they are to be given secondary export quotas in proportion to permitted surplus stocks or, in the absence of surplus stocks, in proportion to their basic quotas. Any country which is unable to export its quota during a quota year is to re-allocate its unshipped quota as supplementary quotas to the other exporting countries, in proportion to surplus stocks or, in their absence, in proportion to their basic quotas. It may be necessary for the scheme, but it is ominous for the future of world commerce, and the interests of consumers that, in order to prevent non-participating countries from impairing the scheme by "abnormal" exports, the contracting governments are to "co-operate in taking . . . such practical measures as may be necessary to attain this end." The big stick, that is, will be used against price cutters and interlopers. Obviously no

such plan could be tolerable unless it was freely accepted by all exporters.

Export prices are to be controlled by the fixing, in August of each year, of a basic minimum and a basic maximum price, c.i.f. United Kingdom ports. Provision is made for a periodical adjustment of these prices to allow for carrying charges. The prices are to

(a) return reasonably remunerative prices to producers in exporting countries; (b) be fair to consumers in importing countries; (c) be in reasonable relationship to prices of other commodities; and (d) make appropriate allowance for exchange rates and transportation costs.

The Governments of the four exporting countries are to ensure that wheat for export is at all times on sale at prices not in excess of the maximum prices.

The scheme is to be administered by an International Wheat Council consisting of one or more delegates of each contracting Government. The Council is to meet in January and August and at such other times as it may determine, but it may take decisions, after correspondence, without a meeting. An Executive Committee, to be set up by the Council, is to keep "under review the working of the agreement" and to report to the Council. Its chairman, to be appointed by the Council, need not be a delegate of a contracting Government.

Provisions are made for the accession of additional importing and exporting countries to the agreement, which is to remain in force for four years after the last day of the month of July following the date upon which it comes into force. If it is shown to the satisfaction of the Council that any one of the four leading export countries has either exceeded its basic, secondary or supplementary export quotas or has sold wheat for export below the minimum price, the contracting Government of any exporting country may withdraw from the agreement within 90 days on 30 days' written notice to the Council. In the event of the withdrawal of Argentina, Australia, Canada or the United States, the agreement will lapse, unless the Council decides to maintain it by three-fourths of its total votes.

The Dangers

The draft convention, as published in a White Paper (Cmd. 6371) issued last week, provides a basis for discussion rather than a final and acceptable scheme. The talks in Washington were no doubt handicapped by the small number of governments represented, comprising the four chief exporting countries, and only one importing country. The convention raises as many problems as it attempts to solve; even as a bare statement of principles, it is open to serious criticism.

The object of the scheme is unexceptionable. Some control over the supply and price of wheat is as essential to the removal of the disastrous instability of prices in ex-

porting countries as the removal of incentives to high-cost wheat production and the utilisation of such land for more suitable produce is to the rise in the standard of living in countries which have hitherto encouraged this uneconomic practice. Since there was only one high-cost producer represented at the discussions and that one, Great Britain, the convention does no more than exhort in this matter of land use. But wheat exporters were well represented; and one of the outstanding defects of the convention is the absence of a clear definition of the basis upon which minimum and maximum export prices are to be fixed. Under the convention the prices fixed are to "return reasonably remunerative prices to producers in exporting countries." If this meant "remunerative" to all producers, whatever their costs, it would be a disastrous principle, and an attempt to hold world consumers to ransom. It would be interesting to know whether the delegates at Washington explored the possibility of creating a fund, financed by wheat producers, for the compensation of high-cost producers in exporting countries or whether they have, in fact, decided that prices must at all times be "reasonably remunerative" to marginal producers. The marginal producers cannot expect a guaranteed income at the expense of consumers and regardless of efficiency; low cost producers cannot expect to live in clover, by international agreement and guarantee, upon the difference between the price at which they could sell wheat remuneratively and the much higher price at which the highest-cost producers must sell to make both ends meet. The proper principle is plain enough. No control scheme must make the average price of wheat over a stretch of years, taking in a period of boom and a period of slump, any higher than it would have been in the absence of control. The purpose of control—the only legitimate purpose, that is—is to steady the price of wheat, not to raise it. It would be interesting, too, to know whether there is any provision for increasing the total export allocation before prices actually reach their maximum level, or whether producers will be given a guaranteed and protected right to hang on and sell the biggest possible amounts at the highest price, safe from competition. Dangers of this kind call for the utmost vigilance. Is there any provision, for instance, for revising the proportions in which the basic export quotas have been allocated to the countries concerned, in order to make possible an expansion in the exports of countries with the lowest costs—or are consumers to be cut off entirely from the benefits of lower-cost production?

These and many other aspects of the problem remain to be discussed. If the need for wheat control is accepted, the principle of regulation is likely to be extended to other primary products. But such a radical departure from pre-war practices can only be justified if the consumer is not likely to be sacrificed to the interests of producers. No argument from expediency can alter the fact that quantitative restrictions can be the worst form of restraint of trade.

Finance and Banking

Credit Abundance Again

Reabsorption of the additional credit created over the end of June is reflected in the principal movements in the Bank return. Bankers' deposits have come down with a run by more than £25 millions to £146.5 millions as the chief counterpart of a contraction of £21.8 millions in the Banking Department's securities holdings and of 5.8 millions in the reserve. Even so, the credit base at the date of the return was still considerably larger than normal. It is hardly surprising, therefore, that credit has been abundant and the clearing banks eager buyers of bills, notwithstanding that TDR payments for the week exceed maturities by at least £20 millions, and that some of the maturing Treasury bills must have been taken off the market by last week's special buying. The discount market has consequently experienced no difficulty in financing its substantial Treasury bill quota of 40 per cent. In the light of the current reports as to the manner the "Holidays at Home" campaign is being conducted in the provinces, the further sharp increase in the note circulation is hardly unexpected. The week's net withdrawals of £5,834,000 compare with £4,665,000 in the corresponding week of 1941, while the note circulation at its latest record level of £807.4 millions, shows a rise on the year of £159 millions.

Argentina Controls Axis Funds

It is well known that Axis funds were transferred on a large scale from the United States to Latin America in anticipation of the US blocking order last year, and they no doubt accounted for a fair proportion of the influx of 325 million pesos of capital into Argentina in 1941. Much satisfaction will therefore be felt at the Argentine decision,



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in spite of Argentina's continued neutrality, to place restrictions on the use of foreign assets. The Axis countries are not specifically mentioned, but there can be no doubt that they will be principally affected by the decree, which must itself have arisen out of the inter-American conference in Washington on systems of financial and economic control. It has the effect of bringing Argentine regulations into line with those of the United States, and of blocking all operations in American dollars wherever there is any suspicion of Axis interest. All imported Argentine and foreign securities must be declared to the Central Bank, whose authorisation is henceforth needed before they can be sold or re-exported. Imported US dollar notes must be deposited with the Central Bank until the necessary permit has been obtained, and dollars may not be exported except through organisations authorised by the Government to control the currency exchanges with the United States.

Decline in US Gold Stock

Though the United States suspended publication of gold movements at the beginning of December, the stability of the monetary gold stock is evidence that the gold inflow remains a mere trickle, or may even have been reversed. At the end of June, the gold stock amounted to \$22,735 millions, an increase of no more than \$115 millions on the year and an actual decline of \$65 millions from the peak reached last October. In eight months, US production alone might have been expected, even in the absence of imports, to add some \$150 millions to the gold stock. There has, however, been a continued increase in gold held under earmark for foreign account, which in the five months to March rose by as much as \$374 millions to \$2,429 millions. If earmarkings have continued at the same rate, this would suggest that gold imports continue at a level of some \$50 millions a month. If any substantial amounts have been released from earmark in the past three months, on the other hand, this would indicate an actual export of gold. During the past year, there has in any event been a slight increase in gold holdings outside the United States. Until April, 1941, imports into the United States were still running well in excess of current production. In the succeeding seven months, however, imports totalled only \$296.1 millions, against world production for the period of \$758.6

Investment

Railway Stocks in Favour

The immediate response of the market to the partial relaxation of tension on the Egyptian front has been a sudden recovery in prices and volume of business. Brokers still talk of a small turnover, but, as judged by the record of bargains marked, there is a distinct improvement. According to this criterion, business on Monday was over 15 per cent greater than a fortnight before and more than 29½ per cent up on the week, while the corresponding figures for Tuesday were 20½ and 26 per cent, respectively. The expansion on the fortnight was common to almost all sections—there are partial exceptions in the case of mines and shipping shares—but the really marked rise in prices and in activity was in home railway stocks. Both equities and prior charges were affected, perhaps for rather different reasons. The interim dividend declarations are announced for the last week of the month, and, in part, the rise marks the usual pre-dividend gamble, which seems to be even less justified on this occasion than usual, since the most that can be hoped for is the payment, at due date, of certain junior preference dividends postponed for various reasons in recent years. This can, however, scarcely explain rises of considerable amount in debentures and senior preference stocks, and here the explanation appears to lie merely in a recovery from recent weakness. One of the features of the setback on the Libyan disappointment was the sudden reversal of the tendency for industrial debentures and preferences to catch up on first line fixed interest stocks, a movement which finds some reflection in the index figures discussed below. This was read at the time to indicate that the earlier improvement, itself a result of plentiful money resulting in part from vesting orders, had been rather too rapid. Money is now again particularly abundant, and it is interesting that it should once more rush into these stocks, for, so far as can be gathered, other industrial debentures

millions. In 1940 and the first four months of 1941, by contrast, imports exceeded world production (outside the USSR) by no less than \$3,680 millions. The chief apparent source of imports was Canada, with a total for 1940 and the first eleven months of 1941 of \$3,014 millions, no doubt representing for the most part Great Britain's gold losses. Imports from South Africa for this period totalled \$477.4 millions, compared with that country's production of \$953.5 millions.

Dutch Capital for Exploiting Russia

The recent establishment of a finance company in Amsterdam, to provide Dutch capital for the exploitation of German-occupied Russia, was presented by the German Press as an indication of the willingness of Dutch people to co-operate in the creation of a European economic system under German control. There is, however, evidence to show that the participation of Dutch capital in the scheme is far from voluntary. On June 16th three Amsterdam firms, normally engaged in trade with the Dutch Colonies, were placed under the control of the *Kommissarischer Verwalter*. At the same time, it was announced that these firms had "decided" to employ their liquid resources, which in present circumstances cannot be used for trading with the colonies, for financing enterprise in Russia. Similar arrangements are likely to be made with regard to other Dutch colonial companies, and the total resources thus to be raised are estimated by the German Press at some 200 million guilders. This effort to obtain the participation of Dutch capital in the exploitation of Russia is partly due to the German desire to entangle the European economy as much as possible, to lend colour to the arguments of Nazi and pro-Nazi sophistry that it will be impossible after the war to "unscramble the omelette." Another object is to reduce the frozen Reichsmark balance of the Netherlands Bank with the Reichsbank. In spite of the large sums in occupation costs levied on Holland, that balance tends to increase rapidly, owing to the grossly one-sided character of German-Dutch trade, and to the large German purchases of Dutch securities. Since it has proved impossible to induce Dutch investors to acquire German securities, Germany has now resorted to this new method of offsetting German purchases by enforcing an export of Dutch capital to German-controlled Russia.

have not been equally in demand. It is possible that the movement owes something to talk of forming a public board for the whole transport industry, although past experience is not such as to provide any guarantee that this would give better security, even to prior charge stocks. Such a development might work in the opposite direction for the equities—note Transport "C" stock—while it is hard to see anything but an adverse factor for all railway stocks in the renewed demand of the operatives for increased wages.

June Price Changes

The appearance of the figures of *The Actuaries' Investment Index* as at June 30th makes it possible to fill out the bare picture of a fall in the latter half of the month, which had wiped out an antecedent rise, presented by the chart of *The Financial News'* figures in last week's issue. According to *The Actuaries' Index*, 159 British industrial equities were unchanged in price, but there had been some sharp rises, particularly in aircraft, building materials and gas stocks, and heavy falls in coal and oil shares. The rise in building material shares was assisted by better dividend payments, and this was also a factor in producing modest improvements in heavy industrial and stores shares. In consequence, with the average price unchanged, the yield rose, until it rather more than made good the loss during May, despite a rise of a point in the price index on the two months. It is interesting to observe that a year ago, when the immediate effect of Hitler's Russian venture was still uncertain, a rise in the price index of 2½ points in two months coincided with a fall of 0.42 points in the yield, owing to falling dividend rates. Meanwhile, as was indicated at the time seemed possible, last month's movements in fixed interest quotations were quite appreciable.

This is particularly true of industrial preference shares. The value of both these and industrial debentures is almost back to the level of three months before, while, on a yield basis, the former are back to December. As stated above,

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices				Average Yields		
	June 24, 1941	Jan. 27, 1942	May 26, 1942	June 30, 1942	June 24, 1941	May 26, 1942	June 30, 1942
24 Consols	142.6	147.8	147.2	146.6	3.13	3.03	3.04
Home Corps. (4)	135.3	140.9	141.8	141.5	3.44	3.29	3.29
Distr. Debs. (9)	105.7	110.8	111.2	109.4	4.10	3.90	3.96
Total Debs. (43)	111.2	115.4	117.9	117.4	4.28	4.03	4.04
Banks (10)	96.4	104.5	104.5	105.7	4.71	4.35	4.29
Aircraft (5)	50.1	54.8	49.8	53.5	11.65	10.91	10.11
Building Mats. (6)	63.6	70.4	68.9	70.4	4.54	4.03	4.14
Coal (8)	74.4	82.6	78.7	73.6	7.53	6.47	6.91
Gas (8)	53.5	66.7	71.0	73.4	6.53	3.26	3.21
Oil (4)	45.3	56.2	48.3	45.9	4.25	5.20	5.37
Total Productive (90)	54.7	63.3	61.9	62.0	6.03	5.22	5.29
Shipping (7)	16.1	22.6	22.7	21.6	4.91	4.61	4.64
Miscellaneous (20)	53.6	61.8	58.8	58.3	5.40	4.81	4.85
Industrials							
All Classes (159)	50.8	62.0	60.4	60.4	6.04	5.05	5.11

the improvement in most sections, which has accompanied the holding of Rommel, has brought the beginnings of a recovery in these fixed interest sections *vis-à-vis* the Funds.

South American Debt Negotiations

A permanent settlement of the Colombian sterling debt negotiations is now within sight. The terms, which are recommended for acceptance by the Council of Foreign Bondholders, are sufficiently attractive in present circumstances to command the support of the disillusioned foreign investor. Provision is to be made for the total discharge of arrears of interest since 1934 on the six loans in question by the issue of Three per Cent Thirty-Year Sterling Registered Funding Stock. Investors would receive, in this form, 50 per cent of arrears due up to December 31, 1939, and 60 per cent from that date to March 31, 1942. Future payments on the six loans, the largest of which is the 6 per cent External Loan, 1913, would be resumed at 50 per cent of the contractual value from April, 1942. In addition, the Republic proposes that payment should continue in full on the 4 per Cent Sterling Funding Certificates, while the Agricultural Mortgage Bank, whose 6½ per cent guaranteed Mortgage Bonds are an indirect Government responsibility, has been recommended to seek a similar settlement to that made with holders of its dollar bonds. In view of the interruption of world trade, which can in no way be lessened before the conclusion of the war, the terms of the Colombian offer appear fully as good as can be expected, and yet should be capable of discharge. Hope is also stirred by the news that the First Debenture Holders Advisory Committee of the Sorocabana Railway Company and the similar body representing Southern San Paulo Railway debentures are proposing to negotiate with the Brazilian Government for the return of or compensation for the securities and cash, held by the Bank of London and South America in Brazil on behalf of the debentureholders, and sequestrated by decree in July, 1940. Alternatively, a cash payment in redemption of the debentures might be accepted. There should to-day be no lack of good will on the part of the Brazilian Government to modify this arbitrary proceeding, and it is to be expected that the committees, if they obtain the plenary powers which they seek, will reach a satisfactory solution. Only in the latter case is there any question of referring back an offer considered unsuitable. Sorocabana holders are expected to give their committee *carte blanche*.

ABPC-Union Cinemas Offer

The latest accounts of Union Cinemas, dealt with in *The Economist* of June 27th, showed a very marked improvement in earnings, which appeared to offer distinct possibilities for the preference shareholders. In the event, however, it is the holders of the 5s. ordinary and "A" ordinary shares who are to be the first to receive something, since Associated British Picture Corporation has offered to take over both classes of capital at 2s. 6d. a share. This offer is open for twelve days only, and is conditional upon acceptance by holders of nine-tenths of the shares in the hands of the public. Actually, ABPC already

holds 70 per cent of these two classes of capital, and the offer is made because it must be some time before a reconstruction can be effected to deal with the arrears of preference dividend, and, *a fortiori*, before the ordinary shareholders can look for any return on their investment. As was explained a fortnight ago, it is quite impossible to deduce from the accounts of Union Cinemas any idea of the real value of the ordinary capital. The offer made is rather above the recent market price, which was higher than anything recorded since the year following the company's registration in December, 1936. No investor ought to be asked blindly to make the choice put before the holders of these shares, but unless there is an organised movement to obtain more information—for which the time is very short—holders will probably be well advised to accept. The amount offered seems as much as they are likely to obtain in a reconstruction, on the basis of the results to date, and the position of a small minority of dissentients is likely to be difficult, both because their holdings will not enjoy a ready market, and because their interests may well conflict, at some later date, with those of ABPC. In fact, once the ordinary capital is in one hand, the desirable solution is a rapid settlement with the preference holders and the complete absorption of the company.

Company Notes

Union Castle Results

The announcement made in the middle of last month, that the ordinary dividend of the Union Castle Mail Steamship Company was to be repeated at 5 per cent, gave a better impression of the year's results than is perhaps warranted on the showing of the full accounts. Profits, after depreciation, which is again at the increased rate allowed by the Inland Revenue, are up from £713,785 to £815,834, after charging £73,157, for repairs, to antecedent voyages instead of to those following the repair. The former figure was after £50,000 for income tax reserve, and the bulk of the tax payable was offset by accumulated arrears of wear and tear allowances for income tax and a deficiency of EPT in 1939. For last year, little was available from these sources, and, against a recovery of tax of £7,307, there is a provision for taxation on current profits of no less than £650,000. This, together with interest charges and £150,000 reserved for deferred repairs and renewals, has to be set against appropriations a year ago of £350,000 for fleet replacement, £52,981 for writing down investments, and £50,000 for staff benevolent account. Returning to revenue receipts, income on investments is up by £5,000 to £122,832, while past provisions and the final adjustment of the Government account are responsible for a further £120,418. Even with the assistance of this item, some of which can scarcely be subject to tax, the dividends necessitate a small draft on the carry forward. In the absence of any figure for depreciation, the balance sheet value of the ships lost or disposed of cannot be stated, but the net valuation of the fleet has dropped by £1,177,320 on the year to £7,834,384, including a payment on account for a new fully refrigerated ship. Meanwhile, the surplus of realised over book values of £277,858 has been added to fleet replacement, while the GTR Account receives £89,600. Among liabilities, creditors are up by some £720,550, largely as a result of the tax provision, but secured advances of £1,455,130 have been paid off. While net liabilities are sharply reduced, floating assets are up by some £800,000, the principal rise being in debtors, while there is a new item, tax reserve certificates, of £200,000, and cash is swollen by £133,934. Thus net liquid assets of some £400,000 are substituted for a deficit of over £1,000,000 a year before. It is extremely difficult without further details of the tax provisions than are given in the report and chairman's statement to form any opinion as to the immediate prospects for the concern. The £1 shares stand at 17s. 10½d., giving a yield of some £5 11s. 11d., which suggests that some further setback is expected. It is indeed difficult to see how a further fall in gross earnings can be avoided, but there appears to be a considerable EPT cushion.

Distillers' Accounts

The full accounts of Distillers for the year to May 15th last show a reduction in disclosed profits, after depreciation and all taxation, of only £147,780 to £1,974,610, against a reduction of £318,863 in the previous year. As was esti-

mated in a note on the preliminary statement in *The Economist* of July 4th, the reduction in equity earnings is very slight, the fall being only from £1,814,986 to £1,796,168. Thus, the ordinary payment maintained at 16½ per cent is actually covered by a higher rate of earnings, which amount to 24.0 against 22.9 per cent. By again transferring £600,000 to reserves, including £100,000 for war contingencies, the carry forward is left at £524,210 against £544,139. The balance sheet shows a rise in net loans from subsidiary and associated concerns from £8,748,478 to £9,120,973. Holdings of British Government securities are up from £11,018,076 to £13,423,764, of which some £1,900,000 is taken from cash holdings, reducing this total to £2,975,738. There is a slight rise in stocks from £928,002 to £1,009,580, a jump of some £225,000 in debtors, and almost complete stability of creditors, including taxation. Thus, the position remains very strong. The directors point out that the shares of Distillers, Delaware, have been lodged with the British Treasury. The results as a whole are surprisingly good, in view of the fact of severe control of distillery output. Grain distilleries have been completely closed down throughout the year. This is, of course, an influence which will make itself more seriously felt in future. For the present, the concern is no doubt placing on sale whisky distilled seven or more years ago. If the management intends to equalise potential sales over, say, the next decade, it is probable that there must, before long, be some further reduction in the current volume. Whether rising retail prices and lower total production costs will cancel out the effect on net earnings is doubtful. In present conditions, it is highly unlikely that the increase in the price of whisky to 23s. per bottle will in itself restrict total sales. The chairman, Lord Forteviot, points out that the yeast factories have been working to capacity throughout the year. The demand for industrial spirit must also have been keen, but the results of United Molasses suggest a downward trend in receipts from interests in that group. The £1 ordinary stock, at 76s. 3d. ex dividend, yield £4 5s. 3d. per cent.

Heavy Industrial Results

The accounts of *Swan, Hunter and Wigham Richardson* for last year show that, after falling from £463,459 to £179,294, the profits of the company have recovered to £313,160. The improvement is, however, due to the settlement of the standard profit for EPT, and not to higher actual earnings, all the figures being after tax. It is, of course, quite impossible in these circumstances to place any reliance on the latest figure as a measure of probable future earnings. Other sources of revenue have declined on the year, dividends being £83,709 against £90,452, while there is nothing from profit on sale of investments against £24,131 in 1940. Further, the revenue of that year was increased by a draft of £20,052 on investment reserve, which contributed only £1,050 last year. Depreciation takes £33,715, against £36,702, and ARP £49,862 compared with £36,978. Staff pensions again receive £25,000, and the ordinary dividend is maintained at 10 per cent. After this, it is possible to place £70,000, against nothing, to reserve at the cost of a draft of less than £1,000 on the carry forward. The balance-sheet shows a number of increases in floating assets and in advances to subsidiaries, but these are more than offset by a fall of some £440,000 in bills receivable. This, read in conjunction with a shrinkage in all classes of current and near liabilities, suggests that turnover has not been fully maintained, but the chairman states that the whole group has "worked to full capacity during the year." The preliminary statement of a company at the other end of the range covered by the definition heavy industry, *Guest, Keen and Nettlefolds*, shows a very modest expansion in earnings after all costs and taxation from £1,165,507 to about £1,203,054. Debenture service is slightly lower at £95,054, but depreciation receives £250,000 against £200,000. After providing £46,000 against £40,000 for war damage, and reducing the provision for contingencies, including deferred repairs, from £60,000 to £50,000, there remains some £762,000, against £768,369. The exact appropriation of this is not disclosed, but reserve again receives £100,000, and the ordinary dividend is raised to 10 per cent, less tax, by a final of 6, compared with 3 per cent, tax free, for the year to March 31, 1941. The amount earned for ordinary dividend appears to be virtually unchanged on the year at approximately 13.5 per cent. The £1 stock units of *Guest, Keen* stand at 23s., ex dividend, giving a yield of £8 14s. per cent, while those of *Swan, Hunter* are quoted at 33s., returning £6 3s. 6d. per cent.

Boots Pure Drug New Record

With total profits, after taxation, except most of the tax on dividends, of £1,025,093 against £1,001,370, the full accounts of Boots show that, for the third year in succession, earnings have touched a new record level. As in the previous year, war damage premiums, requiring £40,417 against £45,000, are charged directly against contingencies reserve. There is, however, a higher liability of £95,745, against £70,959, for war risks insurance and an increase in depreciation provision from £112,697 to £125,589. Equity earnings are £100,000 lower than was estimated in the note on the preliminary statement in *The Economist* of June 20th on account of the transfer of this amount against nil to tax reserve. Thus, the ordinary dividend, maintained at 24 per cent, is covered by earnings of £426,034 against £532,360, representing a rate of 33.2 against 42.5 per cent. Freehold property reserve receives £35,188 against £128,273, bringing the total of the fund to £360,000, while there is a transfer of £38,000, against nil, to war contingencies and damage. Since £147,000 has been appropriated to write off war damage in addition to the provision against war damage premiums, the total is reduced from £908,350 to £758,933 in the latest balance sheet. The surplus of current liquid assets shown in this account is sharply reduced from £431,123 to £144,127, and in addition there is a rise in the company's overdraft from £502,298 to £550,617. This movement is partly accounted for by the increase in net loans to subsidiaries from £883,400 to £1,030,657. Against a considerable increase in creditors and contingencies from £1,971,806 to £2,563,149 there is a modest rise in stocks from £1,931,906 to £2,108,917. In his statement Lord Trent points out that the current results have been achieved despite curtailment of sales of toilet preparations to 25 per cent of the pre-war level, under the limitation of supplies order, and by the closing of a high proportion of retail shops. There has also been a serious labour shortage, which has affected the ability to make up prescriptions. Experimental and research work, particularly in the field of agriculture, is being pushed ahead. The 5s. ordinary shares at 34s. ex dividend yield £3 10s. 7d. per cent.

Reckitt and Colman Stability

The trading profits of the Reckitt and Colman group for the year ended December 31st last reveal only a slight decline from £1,891,288 to £1,862,903, but an increase of £70,000 in the tax requirement reduces the net profit by nearly £100,000 to £721,967. The net dividend, which is maintained without difficulty at 20 per cent requires only £610,000 against £721,250, owing to the higher rate of tax, and after allocating £16,000 less than last year's figure of £153,000 to the prosperity sharing scheme fund the carry-forward is only some £14,000 lower at £95,197. The effect of the reduced net payment is better seen in the accounts of the two holding companies, Reckitt and Son and J. J. Colman, who, despite lower receipts, are again able to pay 22½ and 16 per cent, respectively. Although the latter is unable to put anything to general reserve against nearly £70,000 last year, both companies have raised their carry-forwards slightly. Of especial interest is the chairman's statement that, despite the loss of all Continental markets, the group's total overseas sales exceeded those in any previous year, thanks to the policy of building up stocks abroad. Nevertheless, with restriction of supplies and the acute shipping position, he does not look for such good results in future. The balance sheet of the operating company reflects the activity of the group with considerable rises in liquid assets. Cash at £317,695 and government securities at £472,725 are some £86,000 and £67,000 higher respectively, while both sundry debtors and loans to subsidiaries show considerable expansion. Excluding inter-company items, however, the excess of liquid assets over liabilities is reduced by some £140,000 to £1,575,642, owing to a sharp rise of £286,000 in the omnibus item sundry creditors, due mainly to the increased tax provision. The higher valuation of goodwill by £30,000 at £1,380,000 is occasioned by the taking over of the assets of two subsidiaries, which is reflected in a fall of almost £134,000 to £2,007,866 in share holdings. Holdings in American subsidiaries have been pledged to H.M. Treasury, but the group retains control and revenue. The satisfactory conduct of the group's affairs, and the potential post-war earning capacity, together with a sound financial position, are reflected in the relatively low yields on the ordinary stock of Reckitt and Sons and

J. and J. Colman. The former stock at 93s. 9d. and the latter at 71s. 3d., both ex dividend, yield £4 16s. and £4 9s. 10d. respectively.

Oil Company Profits

The accounts of both *Royal Dutch* and *VOC* for 1941 show results which are fully up to expectations. In the case of *Royal Dutch*, income from dividends and investments stands at Fl. 23,409,385, against Fl. 23,625,294, including Fl. 364,312 profit on sale of securities, an item which is not repeated in the later year. As in 1940, the balance after meeting charges against profits, is transferred direct to reserve against loss on investments. Last year this sum amounted, however, to only Fl. 22,739,527, against Fl. 25,243,272, in view of the fact that the 1940 allocation included the balance brought forward from 1939, and was not reduced by an exchange loss of Fl. 532,039. The balance sheet total of the fund now amounts to Fl. 47,982,798. The main feature of this account is a shift in assets by the reduction of "claims on undertakings in which interested" from Fl. 17,622,045 to Fl. 12,584,972, which has made possible the purchase of £1,000,000 of 2½ per cent National War Bonds, raising the total of securities from Fl. 800,000 to Fl. 8,400,000, and an increase in the total of cash holdings from Fl. 2,064,875 to Fl. 22,208,860. There is a moderate rise in the suspense account, which now stands at Fl. 762,755. *Venezuelan Oil Concessions* appear to have had a successful year, with an increase in net profits from £1,103,666 to £1,222,116. This has been achieved despite a slight reduction in gross income from £6,623,054 to £6,510,976 through strict control of drilling and other expenses, and a fall in tax liability from £696,000 to £632,000. Depreciation has been well maintained at £787,269 against £783,769. The ordinary payment, maintained at the customary 16.875 per cent, is covered by

earnings of 17.1 per cent, whereas in the previous year it was underearned by some 1.5 per cent. The consequent draft on the carry forward has not yet been made good, but there is an increase from £132,302 to £139,826. The balance sheet shows a rise in investments from £1,127,235 to £2,081,536, financed by a reduction in cash from £476,345 to £174,975. Creditors are approximately stable and debtors sharply reduced from £385,069 to £85,738. There is a moderate rise in material in stock from £1,563,623 to £1,717,510. The chairman, Sir Andrew Agnew, points out that capital expenditure has been reduced again from £357,000 to £312,000, spent on routine requirements. The *Royal Dutch* Fl. 100 shares stand at £19 10s.; the *VOC* 13s. 4d. units, at 35s. 7½d., yield £6 6s. 3d. per cent.

Leyland Results

The publication of the full accounts of *Leyland Motors* for the years to September 30, 1940, and 1941, at last provides shareholders with a picture of developments since the outbreak of war. Earlier publication was delayed by the slow progress of EPT negotiations, which, it is understood, have now terminated in an acceptable compromise. It is to be regretted that the management has felt it necessary to strike disclosed profits after all taxation and contingencies, thus effectively obscuring the true trend of earnings. Total profits are shown to have declined from £377,619 to £286,339 in 1939-40, and to have risen slightly in the latest year to £299,497. Against these figures have been charged substantially higher depreciation provisions of £135,820 and £132,591 respectively, while in each of the two later years the concern is liable for war damage insurance costing £13,979 and £15,196. As was to be expected, equity earnings are sharply reduced from £191,151 in 1938-39 to

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★ Negotiates and Collects Bills of Exchange.

London Office: 1 QUEEN VICTORIA STREET, E.C.4
JOHN FORBES, Manager.

£53,030, after which there is an improvement to £71,436. In 1939-40 the 10 per cent interim on ordinary capital is covered by earnings of only 10.3, and it is consequently impossible to make any further payment on that year. The increase in the earnings percentage to 15.2 in the following year permits a rise in the total ordinary distribution to 15 per cent. In the absence of any transfer to reserve, against £100,000 in the last pre-war, there is a steady increase in the carry forward from £107,807 to £110,210, two years later. The results may occasion some disappointment that the pre-war dividend rate of 20 per cent has not been restored on the conclusion of the EPT negotiations. Whether it is the tax liability or the contingencies transfer which prevents such a distribution, the management are undoubtedly wise to conserve resources. In his statement

the chairman, Mr C. Basil Nixon, points out that 1939-40 was a difficult transitional year for the company. For the remainder of the war, there appears to be every prospect that earnings can be stabilised at around the present level. The balance-sheet shows a consistent increase in the surplus of liquid assets from £1,778,190 in 1938-39 to £1,888,312 in 1940-41. There has been the inevitable expansion in debtors and creditors common to a period of increasing turnover. Stock in trade rose over the two years from £1,707,066 to £2,542,811, cash holdings are slightly higher at £351,427 against £330,912, and £2,000 has been invested in trade and Government securities, bringing the total to £22,666. General reserve remains unchanged at £1,100,000. The £1 ordinary shares, at 65s., offer £4 13s. per cent.

Industry and Trade

£5 a Week

The Ministry of Labour Gazette for June contains the results of the Ministry of Labour's investigation into workers' earnings in sixteen industrial groups in the last pay-week of January, 1942. The inquiry was similar to those carried out in October, 1938, July, 1940, and July, 1941. While the omission of the tabulation of hours of work is unfortunate, the Ministry is to be commended for shortening the interval between these periodical analyses. The wages ascertained are total earnings, inclusive of bonuses, before any deductions in respect of income tax or of the workers' contributions to statutory insurance schemes. Some 56,200 undertakings, employing a total of 6,000,000 workers, furnished returns to the Ministry. The rise in the average earnings of men, boys, women and girls since October, 1938, is shown below:

AVERAGE WEEKLY EARNINGS

	Men (21 years and over)	Boys (Under 21 years)	Women (18 years and over)	Girls (Under 18 years)
	s. d.	s. d.	s. d.	s. d.
1938—October.....	69 0	26 1	32 6	18 6
1940—July.....	89 0	35 1	38 11	22 4
1941—July.....	99 5	41 11	43 11	25 0
1942—January.....	102 0	42 6	47 6	26 10

Between October, 1938, and January, 1942, the average weekly earnings of men rose by nearly 50 per cent, from less than £3 10s. to over £5. During the same period the Ministry of Labour's index of the cost of living advanced by less than 30 per cent; moreover, the stabilisation of the index since the beginning of 1941 has not prevented a continuing upward trend in earnings. Higher wage rates are only partly responsible for the advance in earnings; according to the Ministry of Labour the average level of wage rates for a full ordinary week's work, exclusive of overtime, was about 22 per cent higher last January than in October, 1938. The difference between the rise in weekly wage rates and total earnings is due to the increase in working hours, the extension of night shifts and the growth of the system of payment by results. The difference between the average earnings of men and women remains substantial. True, between July, 1941, and last January the rise in women's wages has been more marked than the increase in men's, but this phenomenon may be due largely to the movement of women into the more highly paid occupations.

Engineers' Wages

Pending the publication of the Amalgamated Engineering Union's demands for higher wages, the nature of the claim remains obscure. The substance of the main claim by the rank and file of the union, which is said to be looked upon with disfavour by its executive, appears to be a demand for an increase of 11s. a week, to be added to the basic wage and not to the war wage. Since bonus payments are calculated by reference to the basic wage only, the proposed increase in the basic wage would lead to a slight improvement in bonus earnings. In addition, there has been pressure for the restitution of the arrangements for overtime pay in operation before 1931. Apart from the improvement in bonus earnings which would accrue if 11s. per week were added to the basic wage, the combined effect of those demands would be to add an average of about

15s. to the total weekly earnings of workers doing ten hours overtime, a practice which is by no means universal. The demand in respect of time workers which is understood to have the support of the executive is distinct from the claim put forward by the rank and file of the union. It is for a so-called "lieu" payment, equal to one-third of the basic wage, and is designed to improve the position of time workers who, unlike piece workers, have no opportunity to benefit from intensive work and represent about one-third of the engineers. The statement that the engineers' claim would add 35s. a week to the wages of engineers, made during the recent AEU conference at Blackpool, appears to have been calculated by adding the claim put forward unofficially to that said to be favoured by the union's executive. Thus, a time worker on a basic wage of, say, 49s. per week, would receive an additional 11s. per week, bringing the basic wage up to 60s. A "lieu" payment equal to one-third of the new basic wage would secure him an additional 20s. per week, and the extra payment for 10 hours' overtime would add almost a further sum of nearly 48s., making a total of 35s. But the demand for a "lieu" payment only applies to time workers; the advance claimed in the earnings of piece workers amounts to about half that sum. Even if the claim for an additional 35s. per week applies only to time workers, the order of magnitude of the new demands of the engineers are substantial. The AEU has not yet formulated its claim, and comment must await its publication. But any further advance in the wages of engineers is likely to speed up the demands from industries in lower wage categories, and would render the maintenance of the Government's price stabilisation policy increasingly difficult.

Wage Differentials and Mobility

If war production is to attain the degree of flexibility required for the continuous adjustment of output to changing needs, labour must be mobile. The wages problem facing the Ministry of Labour in the transfer of labour is illustrated by the following table, which shows the average earnings of workers in sixteen industrial groups:—

AVERAGE WEEKLY EARNINGS IN SIXTEEN INDUSTRIAL GROUPS
(Last Pay-week in January, 1942)

Industrial Group	Men (21 years and over)	Women (18 years and over)
Earnings	Earnings	Earnings
	s. d.	s. d.
Iron, stone, etc., mining	81 3	45 4
Treatment of non-metallic mineral products	92 7	39 4
Bricks, pottery, glass	88 10	40 6
Chemicals, paint, oil, etc.	100 2	44 6
Metal, engineering, shipbuilding	119 2	58 9
Textiles	84 6	47 6
Leather, furs, etc.	90 9	41 6
Clothing	85 0	32 3
Food, drink, tobacco	88 5	35 2
Woodworking	86 2	30 1
Paper, printing, stationery, etc.	101 3	20 2
Building, contracting, etc.	84 2	27 5
Miscellaneous manufactures	104 4	51 0
Transport, storage (excl. railways)	92 10	32 6
Public utility services	79 9	26 4
Govt. industrial establishments	115 8	53 7
All industries	102 0	47 8

On the whole, women's earnings show much more uniformity than men's. While transfers may often involve the translation of workers into a higher wage category, movements into lower wage categories are frequently unavoidable. This may well accelerate the upward trend of wages in industries where they are comparatively low without arresting it in the metal and engineering industries, where they are highest—and where the percentage increase has been biggest.

Retail Trade

The retail trade report for May and the Bank of England's index numbers of retail sales were published in the *Board of Trade Journal* for July 4th. The average value of daily sales (1937=100) fell from 113 in April to 109 in May, whereas a rise usually occurs in this period on account of pre-Whitsun purchases, last year practically no movement was recorded between these months. The fall was mainly due to a large drop in the value of sales of apparel (from 121 to 101) which may be due to the fact that May was the last month of the rationing period. The index for household goods dropped by 5 points to 79, and there was a

PERCENTAGE CHANGE IN VALUE OF RETAIL SALES
SINCE THE CORRESPONDING MONTH A YEAR AGO

	Food and Perishables	Other Merchandise
	%	%
1941 May.....	-4.3	-2.4
June.....	-3.1	+6.8
July.....	-6.7	-15.9
August.....	-1.9	-10.8
September.....	-0.8	-8.2
October.....	+0.2	-23.5
November.....	-0.4	-2.3
December.....	-1.9	-7.4
1942 January.....	-1.1	+12.0
February.....	+1.8	+11.3
March.....	+4.3	+5.3
April.....	+0.9	+0.8
May.....	+5.0	-2.5

rise of 2 to 119 in sales of food and perishables. Compared with a year ago, household piece goods and the furnishing departments show rises of 18.0 and 20.8 per cent, respectively, in the value of sales, although it is in these departments that stocks show the greatest decline in value (-34.3 and -18.8 per cent). During February to May, compared with the same period in 1941, the average daily value of sales rose by 3 per cent, the non-food total rose by 1.8 and the food and perishables total by 3 per cent. The highest rise was in household piece goods, 36.1 per cent, the furnishing departments next with 31.3; the largest reduction was -15.3, recorded in dress piece-goods.

Agricultural Machinery

The intensive wartime development of agriculture demands more mechanisation of farming, and the Agricultural Machinery Development Board, set up at the beginning of this year, has been working on the problems involved. It has arranged for the testing of machinery and implements, considered questions of uniformity and standardisation, and the provision of educational and advisory facilities. The Board has found that it needs a highly qualified staff of agriculturalists and engineers with adequate workshop facilities. To meet this need, the National Institute of Agricultural Engineering is being established, at Askham Bryan, near York. The Institute of Research in Agricultural Engineering has been handed over by the University of Oxford to the Ministry of Agriculture to form the nucleus of the new Institute. During the war, it will be housed in temporary accommodation, but it is intended to build permanent buildings for it after the war. The work of the Institute will be purely practical and will be concerned with carrying out tests on new and improved implements, and experimental work designed to improve the utilisation of existing machinery. It will be ready to receive ideas from farmers, inventors, and others, which can be put into machines to be manufactured. The Institute will act as a clearing house for information about agricultural machinery and its use, and will arrange demonstrations. For re-

search work, the Institute will rely on the Agricultural Research Council and the Department of Scientific and Industrial Research.

Re-registration for Rationed Foods

Re-registration for rationed foods this month has caused a small burst of competition between retail shops in an effort to keep old and attract new customers. The great danger of tying consumers to specific shops is that service often tends to deteriorate, and anything which puts the retailer back on his mettle is welcomed by the customer. It was for this reason as much as any that the public (and, incidentally, the grocer, too) welcomed the system of points rationing for food. The yearly re-registration has once more been the signal for better service by retailers, but, unfortunately, a number of "dodges" have been thought out to trap the unwary. Butchers, for example, are in some cases keeping open later, although it is unlikely that they will continue to do so throughout the year. Some grocers have been hoarding unrationed foods which are in short supply, and are now selling them to all comers. Yet other firms are selling below maximum prices. No exception need be taken to devices to attract new custom, especially the practice of selling at the lowest possible price, provided they become part of the practice of the firm concerned. The Ministry of Food has said that any customer will be allowed to change his registration if his retailer reverts to the maximum prices. The policy of selling below maximum prices was begun by stores with large numbers of customers, which they claimed enabled them to sell at lower prices. Some stores have, indeed, managed to increase their profit owing to lower wartime costs (smaller staffs, less advertising, and so on), and are prepared to pass this on to their customers, and so reduce EPT liability. On the other hand, if some firms can sell below maximum prices, there may be a case for the revision of margins in the chain of distribution.

Co-operative Trading

Sales of the Co-operative Wholesale Society for the thirteen weeks ended April 11th totalled £35,542,241, of which grocery and provisions accounted for £26,173,042. This was an increase of nearly 8 per cent on the corresponding quarter of 1941. Supplies from the society's productive works were £11,326,473, an advance of 4½ per cent. The directors do not expect any major change in the prices of foodstuffs and believe that the utility programme of the Board of Trade based upon rationing according to the individual needs of the consumer will be more effective than the general provisions of the Prices of Goods Act. They welcome it as a price control measure rather than a policy of standardisation. Deposits and withdrawals in the CWS bank reached a record of £253,495,666 for the quarter. There are now 870 co-operative societies banking with the wholesale, and of the 45,251 current accounts in operation, 10,031 are with trade unions, as compared with 9,647 a year ago. The drapery and men's wear departments have shown substantial increases; but sales of boots and shoes, and furnishing and hardware have dropped 12 per cent. The export and contracts department's turnover decreased by 6 per cent to £797,091 and the agricultural department's turnover was reduced by 14 per cent to £787,326. Sales to the Ministry of Food were £678,864, as compared with £1,122,556 in the corresponding quarter of last year. Manchester, London and Newcastle are the chief centres of distribution and the industrial activity in the Tyneside area is reflected in the substantial trade advance in the Newcastle branch, this being 21 per cent in groceries, 34 per cent in men's wear, 12 per cent in drapery and 3 per cent in coal, while the decreases in furnishings and footwear were less than in Manchester or London. The effect of the war on hotel expenses is suggested in the directors asking the shareholding societies to allow them out-of-pocket expenses of 10s. per day and 25s. when staying overnight when travelling on business for the society. The present allowance (7s. 6d. and 20s. respectively) has operated since 1929.

West African Commodities

The West African Cocoa Control Board has been enlarged into the West African Produce Control Board. Like the cocoa board, the new board will sit under the chairmanship of the Under Secretary of State for the Colonies; its members will be the members of the old cocoa

board, together with two oilseed specialists and a former Deputy-Director of Agriculture for Nigeria. The meetings of the board will be attended by representatives of the Free French Colonial Commissariat, who act as observers for the Free French West African colonies, which—as has been the case with cocoa since 1940—will be included in the sphere of operations of the new board. While the cocoa scheme, which was introduced early in the war, will be continued without change, the new board will “control the marketing and export of the whole of the production of certain other agricultural crops.” Among these, oilseeds and vegetable oil will be by far the most important; the Colonial Office states that for these products “arrangements will be made as soon as possible.” Rubber, ginger, and, possibly, also cotton, are amongst the other commodities which come within the scope of the new scheme. The new board, like

the cocoa board in the past, will utilise the services of the existing trade organisations as its agents. This may be necessary, but it is unfortunate, for it will strengthen their existing monopoly in West African trade, which, together with the absence of any direct representatives of growers, may increase the latter's mistrust of the buying firms. Minerals are excluded from the scope of the new board. Nevertheless, since West Africa is one of the world's richest sources of oilseeds and vegetable oil, supplies of which are greatly needed by the United Nations, the board's work will be very important. This extended Government buying scheme in West Africa is primarily founded on considerations of supply, while the West African cocoa scheme has been mainly a relief measure for the West African native farmers who have lost a large part of their former markets.

INSURANCE NOTES

LONDON; PHENIX; SUN

THE *London* records in 1941 an increase of nearly £500,000 in the premium income from its three major departments, the strong upward movement being in accordance with the general trend. Contrary to the experience of other offices, however, the fire results suffered a deterioration, due almost entirely to the operations at the New York Branch; this is balanced by a profit considerably better than the average of the offices in the accident department, which does not transact business in the United States. The marine fund, after releasing £50,000, as in 1940, is very strong at 142.6 per cent of premiums; the governor (Mr R. Olaf Hambro) explained in his statement to the shareholders that the fund has been built up in accordance with a policy of making it sufficiently strong in itself to carry any disabilities which may assert themselves in future underwriting years. In the life department, new business at £1,144,000 is lower by £291,000 and the net rate of interest earned has fallen by 3s. per cent to £3 3s. 9d. per cent; mortality experience has been in every way satisfactory, despite seventy-five deaths directly due to the war, involving claims of £49,000.

Credit transfers to profit and loss account aggregate £493,000, the underwriting profits of £284,000 being supplemented by interest earnings on the general funds of £209,000, virtually no change from the previous year. On the outgo side, sundry expenses, pensions, etc., take £100,000 and provision for UK taxation (overseas taxation being debited in the underwriting accounts) no less than £250,000. Dividends at the same rates as before cost £181,000 and the balance of £895,000 carried forward is lower by £39,000. The balance-sheet reveals a very strong position, there being a general reserve of £3 millions in addition to the balance of profit and loss account. Stock Exchange securities show a substantial surplus over book values.

Premium income of the *Phoenix* in 1941 expanded considerably and now exceeds £10 millions, assets in the same year having passed the £40 millions mark. Notwithstanding another small underwriting loss in the United States and a high rate of fire wastage at home, the fire result represents an improvement of nearly £100,000 on that for the previous year; the chairman (Mr R. Y. Sketch), in his statement circulated with the accounts, mentioned the accumulation of values subject to one fire or conflagration as a factor leading to more violent fluctuations in this department than would be generally expected. The accident experience remains excellent, but the chairman indicated that the present level of premiums cannot be maintained in view of the laying-up of cars, both at home and overseas. In the marine department, the fund, after transferring £75,000 to profit and loss account, is higher by £492,000, an amount considered adequate to cover the exceptional demands resulting from the extension of the war to the Pacific and Far East and its intensification on the eastern seaboard of the Americas. Life new business at £1,669,000 is lower by 18 per cent, and premium income has fallen sharply; the department

is being administered on conservative lines with the object of maintaining the fullest possible measure of security for all policyholders.

In the profit and loss account, net interest on the general funds at £281,000 is lower by £42,000, due to heavier taxation, and aggregate credits amount to £765,000. Of this figure the reserve for pensions and ARP and other charges together absorb £182,000 and the reserve for British taxes £200,000; net interest on debenture stock takes £29,000, and after reserving £302,000 for the dividend at the same rate as before, the balance of £1,288,000 carried forward is higher by £52,000. The balance-sheet shows an increase in British Government securities from just over £6 millions to more than £7,500,000, of which no less than £3 millions has been subscribed since the outbreak of war; the investment and contingency reserve of £1,849,000 is unimpaired and there is a general reserve of £2,500,000 in addition to the balance of profit and loss account. Up to the end of 1941, the company had issued 150,000 policies under the Government War Risk Insurance Schemes. Fifty-one per cent of the total pre-war home male staff have been released to the Forces; 11 per cent of the female staff have also been released.

The accounts of the *Sun* disclose substantial gains in premiums in all three departments, coupled with excellent underwriting results. The fire department benefited from a marked improvement in the loss record at home by comparison with the abnormally poor year of 1940; good profit margins were obtained in the Dominion and Colonial fields, but, as with other companies, results were unfavourable in America. In the accident department, the United States was likewise the only unprofitable sphere of operations. The marine fund again releases £100,000, but remains strong at 150 per cent of premiums. Life business is written by the sister company, the *Sun Life*, the accounts of which were reviewed in *The Economist* on June 13th.

Profit and loss account receives combined credit transfers of £640,000, including net interest of £175,000—a reduction of £10,000, due entirely to increased taxation. Outgo items include £190,000 for British taxation, a contribution of £100,000 to the pension fund, transfers of £150,000 and £22,500 to investment, exchange and contingency reserve and general reserve, respectively, and miscellaneous charges totalling £21,000. The dividend of 2s. 9d. per share (unchanged) costs £170,500, leaving a balance carried forward of £1,111,000, a reduction of £14,000. In the balance-sheet, the general reserve is restored by the transfer of £22,500 to the 1939 figure of £1,000,000; of the sum of £150,000 transferred to investment, etc., reserve, £119,000 has been utilised to write off all securities and balances in countries becoming enemy or enemy-occupied during the year, leaving a balance in the reserve of £271,000. The fire and accident funds contain additional reserves of £1,600,000 and £600,000 respectively, and market values of securities are stated to be substantially in excess of book values.

PREMIUMS AND UNDERWRITING PROFITS, 1941

Department	LONDON				PHENIX				SUN			
	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Accident	2,446	+ 238	19	— 63	3,320	+ 391	151	— 96	2,426	(£'000)	220	(£'000)
Marine	1,386	+ 54	215	— 8	3,853	+ 308	256	— 37	2,049	111	144	118
	1,464	+ 205	50	—	1,509	+ 66	75	+ 45	920	108	100	1
Total, excl. Life, etc.	5,296	+ 497	284	— 71	8,682	+ 765	482	+ 104	5,395	+ 312	464	+ 117
Life	843	— 25	—	— 22	1,285	— 73	—	—	—	—	—	—
Capital redemption	14	—	—	—	37	— 7	—	—	—	—	—	—
Grand Total	6,153	+ 472	284	— 93	10,004	+ 685	482	+ 104	5,395	+ 312	464	+ 117

COMPANY MEETINGS

BLEACHERS' ASSOCIATION, LIMITED

COTTON INDUSTRY IN POST-WAR YEARS

“NEED FOR COLLECTIVE EFFORT WISELY DIRECTED”
—SIR ALAN SYKES, BT.

The forty-third ordinary general meeting of Bleachers' Association, Limited, was held at the registered office, Blackfriars House, Manchester, on the 3rd instant.

Sir Alan Sykes, Bt. (the chairman), presided. In proposing the motion for the adoption of the report and accounts, Sir Alan said: As the report of the directors and the accounts have been circulated I will, with your permission, take them as read. (Agreed.)

The balance-sheet which I have to place before you this year shows no very important changes.

The value of the fixed assets, including net capital expenditure during the year and after deducting the balance of the depreciation and obsolescence fund, amounts to £6,809,307, which is £135,000 less than the corresponding figure appearing in last year's balance-sheet.

The depreciation and obsolescence fund itself has been increased this year by the usual provision of £140,000, and the charges against the fund amount to £205,667.

The value of shares in subsidiary companies—£1,325,314—shows no change, but advances to subsidiary companies at £897,123 are £160,000 less than last year. This item represents the working capital of our subsidiary companies and the following two items—stocks on hand and sundry debtors—which together are also lower than a year ago, are of the same nature. This reduction in working capital reflects the lower volume of trade which has characterised the past year.

War damage insurance premiums paid now amount to £101,025. This amount has to be provided out of our cash resources, although it is statutorily defined as capital outlay—which merely means that we also have to pay income-tax on it—and ultimately it will disappear from the balance-sheet, together with the corresponding reserve for the amounts provided which appears on the liabilities side. We think it better to carry forward both items until all transactions relating to war damage are finally settled.

Cash with bankers at £274,908 and investments at £929,326 are both substantially higher than the corresponding amounts last year—the latter largely by reason of the inclusion of a purchase of £100,000 of tax reserve certificates. This amount, as well as a large part of our cash resources, is held against payments which will become due for taxation.

On the other side of the balance-sheet there is no change in the amount of issued capital or debenture stock, but the total of credit balances is slightly larger than it was last year. This is due to the inclusion of the necessary provision for taxation, but the amount is not fully reflected in the increased total as the sums due to trade creditors are lower on account of present trading conditions.

The war damage insurance reserve I have already referred to, and there is no change in the remaining items except for a small reduction in the superannuation fund which arises from the payments made during the year.

PROFITS AND PROVISION FOR TAXATION

The balance brought forward in the profit and loss account from last year was £144,369 and out of this we paid the half-year's preference dividend, which you authorised at our last meeting, leaving £75,963. The balance of profit available from this year's trading is £109,304 which, as you will see from the profit and loss account, is arrived at after providing £140,000 for depreciation and the pay-

ment of directors' fees and debenture interest.

We thus have £185,268 available this year, and you will have seen from our report that we recommend the payment of a further six months' arrears of preference dividend, and after providing £36,000 for war damage insurance premiums, that the balance of £80,862 should be carried forward to the next account.

The total available trading profit this year amounted to £353,164, which is nearly £15,000 more than the corresponding figure last year, but in any comparison of the figures we must take account of the difference in the amount which it has been necessary to provide for taxation in the two periods. This year we have had to set aside considerably less than in 1940-41 and the proportion of the trading profit which is available is therefore relatively greater.

CONDITIONS LESS FAVOURABLE

Actual trading conditions during the past year have been much less favourable, and have fully reflected the national policy of concentrating all productive resources on the war effort.

After fulfilling the requirements of Government contracts and meeting the essential needs of the civilian population, there is little to spare for the export trade upon which the cotton industry so largely depended. These conditions, which are inseparable from the successful prosecution of total war, have naturally resulted in throwing idle a substantial part of our plant. This has been effected by an organised policy of concentration throughout the industry, and I am glad to say that in the bleaching trade we were able to effect the necessary contraction almost entirely by voluntary arrangements which provide not only for the adequate compensation of those whose works have been closed, but also for the protection of the goodwill of their businesses during the period of enforced closure.

Whilst on this subject, I should like to pay tribute to those who have had the somewhat thankless task of putting into operation the Government's policy so far as it affects the cotton industry, not only in the matter of concentration, but in the general regulation and control of the trade. The responsibility has been shared by the Cotton Control and the Cotton Board, and I believe that they have carried out a most difficult task with efficiency and impartiality.

There may have been some mistakes—it would be strange in such novel circumstances if there were not—but it must be remembered that the policy is determined by the Government, that it is dictated by national needs and that the circumstances upon which it is based have themselves been continuously changing. The Cotton Control and the Cotton Board are the instruments by which that policy is effected—they are not necessarily, if at all, responsible for that policy, much less for the circumstances which dictate it.

NEED FOR COLLECTIVE EFFORT

There is one other aspect of this question that I think we should keep in mind. The re-establishment and the maintenance of the cotton industry in post-war years will not be achieved without collective effort wisely directed. Our war-time experiences should provide us not only with the knowledge but with the foundations of an organisation which, with suitable modifications, should facilitate the easy transition from a war-time to a more normal basis. But no organisation will succeed if it has not the whole-hearted collaboration of the industry behind it.

For the time being the main volume of our output, and therefore the measure of our profits, will depend upon the requirements and restrictions of Government Departments, upon the production of Utility cloths, and upon the very limited quantity of cloth that will be available for export. You will realise, therefore, that our future operations are to a large extent beyond our own control, but the concentration of the industry has resulted in putting out of commission a substantial part of our assets which not only imposes a limitation on our capacity to earn profits, but accentuates the problems which will confront us in post-war years.

Although for the moment our main concern must be production for essential needs, your directors have constantly in mind the re-establishment of our business after the war. Nothing is being neglected that will enable us to take our full share in the resumption of normal trading relations, and to that end your property and plant are being maintained in the highest state of efficiency permitted by existing restrictions.

I am sure that you will wish me to express on your behalf our thanks to the managing directors and to the other members of our board, as well as the managers of our branches and all our employees, who have rendered unstinting service in carrying on under conditions of great difficulty and anxiety.

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

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

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

“SHELL” TRANSPORT AND TRADING COMPANY, LIMITED

VISCOUNT BEARSTED'S SPEECH

The annual general meeting of this company was held, on the 7th instant, in London, the Rt. Hon. Viscount Bearsted, M.C. (the chairman), presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:—

The Group's participation in the war effort throughout the world, including the many theatres of military activity, has constantly expanded, and in a war in which petroleum plays such a vital part you will realise how great a responsibility the Group carries. It is now that your company feels the benefit of the conservative policy which successive boards have pursued for so many years, and in the opinion of your board, taking into account the reserves which have been made throughout the years, the valuation of your properties is fully warranted.

EARNING CAPACITY OF GROUP

In compliance with the instructions of the Governmental Authorities concerned in the different countries, many producing, refining and transportation facilities were destroyed or demolished, including important tank farms and loading installations at many of the ports. In due course, no doubt, compensation will be forthcoming for this demolition, but apart from this you will appreciate that the earning capacities of the Group have been gravely affected and will continue to be affected by the loss of these assets until the time when it proves possible to complete the rebuilding of the Group's oil structure. It will probably be some time after the end of hostilities before the profit-earning capacity of the Group can be fully restored.

I am not in a position to reveal any details of the operation of the Group's fleets. The masters, officers and crews of these great fleets of tankers have justly earned the admiration of the Authorities and the country as a whole for the gallant

operation of their ships under circumstances often involving extreme danger.

In the United States of America, Shell Union Oil Corporation has played its full part in accelerating the erection of plants to manufacture the essentials of war, and has made a valuable contribution towards petroleum transportation, perhaps the industry's most serious current problem.

However, despite the satisfactory financial results in 1941 and the improvement recorded so far in the current year, the outlook as regards profits must be regarded as uncertain. Of one thing I am certain, namely, that in the far more important matter of continuing to provide the materials necessary for victory the oil industry in the U.S.A. will not fail to overcome the difficulties which must necessarily arise from time to time.

The report was unanimously adopted.

WM. CORY & SON, LIMITED

Sir Arthur Cory-Wright, Bart., chairman of the company, presided in London, on the 9th instant, at the forty-sixth annual general meeting of Wm. Cory and Son, Limited.

The accounts, he said, showed a net profit of £666,219, a decrease of some £37,000 as compared with the previous year. After payment of the final dividend of 15 per cent., making 20 per cent. for the year, a balance of £1,078,378 remained to be carried forward.

The extension of the area of hostilities, and the intensification of the National war effort, had necessitated continuous vigilance on the part of the board to meet the changing and increasingly difficult conditions.

The company was taking advantage of the possibilities of replacing some of the vessels which had been lost since the outbreak of war. They could face the future with confidence and with full regard for the National interest.

The report was adopted.

CALLENDER'S CABLE AND CONSTRUCTION COMPANY, LIMITED

DIVIDEND MAINTAINED FOR 23RD YEAR

The forty-sixth annual general meeting of Callender's Cable and Construction Company, Limited, was held, on the 3rd instant, in London, Sir Fortescue Flannery, Bt. H.M.L., M.Inst.C.E. (chairman of the company), presiding.

The chairman drew attention to the fact that while the turnover had been well maintained there had been a reduction in the amount of the gross profits for 1941 compared with 1940, which was due to the heavy additional sums that had been provided for taxation. The total expenses were less than in 1940, in spite of the increases in repairs and maintenance of plant and buildings, pension fund and superannuation allowances. Regarding investments of the pension fund, it was gratifying to know that on December 31, 1941, these stood at £345,721.

The chairman paid tribute to the long and valued services of Mr Charles Pipkin (director and joint manager) who in November last had completed 50 years' association with the company.

The chairman concluded by reminding the stockholders that the foundation upon which the company was established by the late Sir Tom Callender, and carried on by the present managers, placed the company in a position of substantial solidarity and they might look forward to continued success with as much confidence as was possible in the present dangerous epoch.

The chairman then formally moved the adoption of the report and accounts declaring a dividend of 15 per cent. per annum for the 23rd year; the resolution was carried unanimously.

The retiring directors (Sir Malcolm Fraser, Bt., G.B.E., and Major-General the Rt. Hon. Sir Frederick Sykes, P.C., 3.C.S.I., M.P.) were re-elected.

ARISTON GOLD MINES (1929) LIMITED

BURDEN OF TAXATION

The twelfth ordinary general meeting of this company was held, on the 3rd instant, in London, Mr Francis Allen, chairman of the company, presiding.

The following is an extract from the statement by the chairman, which was issued with the report and accounts:—

In the "profit and loss account" the increase in the cost of materials and labour is reflected in the cost of mining at £352,767, being nearly £100,000 higher than the same costs for the previous year. To some extent this increase is accounted for by our having crushed 45,000 tons of ore more this year than last, but the larger part of the increase is due to the general rise in wages and the cost of all materials used on the mine. For the current year, a still further increase in costs is to be expected.

TAXATION

We are faced once more with the necessity to provide a very large figure for taxation, the amount being £270,000. In conjunction with other West African mining interests we have approached the Treasury from time to time for some recognition of the hardship imposed upon us by excess profits tax in the exceptional case of our own company and others similarly placed, who, in addition to operating a wasting asset, are not reaping any excess profits in consequence of the war, but solely as a result of expenditure and efforts made in pre-war years, during which time revenue and profits were necessarily limited owing to the properties and plant being in various stages of development. In the years on which the standard profits are based, the production output was not a true criterion of the mines' normal output, which was reached when the programme undertaken had been completed.

The committee set up to deal with this matter is still in negotiation with the authorities on questions of principle affecting the allowance for wastage of assets, which is provided for by statute.

In the meantime, considerable payments on account of taxation have been and will continue to be made pending settlement of outstanding questions.

As regards the item of "Development," it will be noticed that the expenditure for the year totals £83,173. Our underground development is in an extremely strong position, and the board have instructed the general manager to limit current development to the minimum.

MINE PRODUCTION

Production from the mine was maintained uninterruptedly throughout the year, all the 285,200 tons treated being hoisted through the central shaft.

The gold produced realised £776,750, compared with £728,263 for the previous year. The steadily rising cost of materials previously referred to has more than offset any advantage gained by the increase in tonnage treated, the cost per ton being 24s. 6d., against 20s. 11d. per ton for the year 1940.

The development footage during the year amounted to 14,941 ft., being an increase of 893 ft. over the previous year. The work generally can be considered as most satisfactory, which is exemplified by the ore reserves position, the tonnage at September 30th last being 2,227,888 tons, of a value of 7.17 dwt. over a width of 233 in. This is an increase over 1940 of 508,385 tons, and with the 285,200 tons crushed during the year makes an increase of nearly 800,000 tons as a result of the year's work. The value of the ore reserves at September 30th last was 0.55 penny-weight lower than the ore reserves valuation at September 30, 1940. The reason for this is that over 360,000 tons of the new ore reserves are in the lower grade No. 2 orebody.

The report was adopted.

MOSS' EMPIRES, LIMITED

INCREASED TRADING PROFIT

The forty-third ordinary general meeting of Moss' Empires, Limited, was held, on the 7th instant, in London.

Mr R. H. Gillespie (the chairman), presided. Commenting on the balance-sheet and profit and loss account for the year ended December 31, 1941, he pointed out that debenture stock had been further reduced through redemption by £7,450. Further reductions on leasehold properties and depreciation on furnishings had been provided on the usual lines. Creditors showed a considerable increase, almost entirely due to provision for increased taxation. Cash at bankers and investments in War Savings Bonds had increased by some £100,000.

Profit from theatre trading had increased by some £40,000, to £237,740, but provision for taxation absorbed about £105,000, an increase of £35,000. After all provisions, the profit and loss balance is £104,699, being an increase of £9,000 over 1940. Ordinary dividends paid were 10 per cent., less tax, and the carry-forward is £49,679, against £33,278 brought in. £126,000 was paid in entertainments tax for the year, making over £4,000,000 since inception of the tax.

The chairman said it was difficult to forecast prospects for the current year. Increase in entertainments tax, demands for manpower for the Services and munition work make heavy inroads on company's resources. But the management were endeavouring to overcome all difficulties. Up to date results this year were satisfactory.

With the warm approval of the Minister of Labour and National Service the management had assisted materially in setting up a theatres war service council. Through this organisation necessary arrangements were made with managers and artists to provide additional entertainments for the Services in camps and canteens and workers in munition factories, even remote from ordinary entertainment facilities.

The report was unanimously adopted.

LONDON ASIATIC RUBBER AND PRODUCE COMPANY, LIMITED

The annual general meeting of this company was held in London, on the 6th instant, Mr H. J. Welch (the chairman) presiding.

In his address the chairman said: In December and January last, all our estates fell into the possession of our enemies, and I regret to have to record that most of our European staff in Malaya became prisoners of war. Fortunately, the wives of all married members of our European staff and other dependents escaped internment. Our thoughts are full of sympathy for them in the sufferings which the hardships of war have inflicted upon them.

Notwithstanding our having to write off the total loss of the local liquid assets, the profits justified the board in recommending the repetition of a final dividend of 6 per cent., making 10 per cent. for the year. It is obvious, however, that no further dividend can be expected until possession of our properties is regained.

To conserve our financial resources, the board has created a taxation and contingencies reserve, to which the £50,000 which stood at the credit of dividend equalisation reserve has been transferred, and it is recommending that £100,000 should be similarly transferred out of the year's profits.

The estates were among the cheapest producers. The net cost per planted acre at which the plantations and equipment stand in the books is less than £20 and our surplus liquid assets are very considerable. If the estates, etc., are recovered without having sustained very serious damage, the prospects of this company should again compare very favourably with those of any other rubber producer in the East.

The accounts and the directors' report were adopted.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE improvement occasioned by the better news from Egypt at the end of last week was continued in the early part of the current week despite the serious reports from the Russian front. Turnover, as revealed by the number of bargains marked, showed some improvement, averaging over 3,000 bargains daily. The gut-edged market was particularly active although the present shortage of stock restricted business. Gains of 1½ were general, while several of the irredeemable stocks advanced ½ before the week-end. In the current week a further widespread improvement was registered, in which 3½ per cent War Loan advanced ½, and 2½ per cent National Defence Bonds ½ on Tuesday. The feature of the foreign bond market, where turnover was well maintained, was the firmness of South American issues, Brazilian, Chilean and Mexican stocks all moving to higher levels. Egyptian bonds rallied on the war news, the 4 per cent Unified issue being raised 5 points in the first two days of the current week. The home rail market attracted good support in anticipation of the interim statements, bargains marked averaging some 270 daily against 210 last week. Home railways were a prominent feature, with rises throughout the list, but later equities reacted, while the leading debentures continued firm. There were also minor improvements in South American rail stocks, in which San Paulo and the Peruvian Corporation debenture were prominent.

Interest in the industrial market was well spread throughout the various sections and small improvements were general. There was rather more activity than of late, over 1,700 bargains being marked on Monday, although the average on other days was about 800. Among brewery shares Distillers advanced strongly after publication of the results, while Watney deferred and Bass both improved. Tobacco issues were quiet and steady, and apart from gains of ½ and ¾ for BAT and Imps respectively at the reopening, prices were little changed. Motor and aircraft issues displayed no great activity but became rather firmer on Tuesday on some quiet support. The dividend announcement of Guest Keen raised the shares 2s. 6d. and occasioned a steadier

tone throughout the heavy industrial market. Among other advances Allied Iron was outstanding with a rise of 1s. 9d. in the first two days of this week. Paton & Baldwins were strong on the dividend. Among textiles British Celanese ordinary, J. P. Coats and Lancashire Cotton all advanced. In the stores group, Marks & Spencer "A" ordinary, after earlier improvements, rose 1s. 4½d. at the reopening, when John Barker gained ½s, while Woolworths held an early gain of 9d. Brazilian Traction was strong on the annual report, rising ½ on the week, while Sudan Plantations recovered sharply after their recent fall.

*

The kaffir market enjoyed a better tone, Cape support occasioning several improvements. West Wit Areas were prominent with a rise of ½s on Friday, while East Geduld and Crown Mines both rose ½. Among diamond issues, De Beers preferred and deferred issues both advanced ½ in the week. Turnover in the rubber market was very light and prices were hardly affected. After quiet conditions before the week-end a firmer tendency developed in the tea market and small advances were general early this week. The decision of the Mexican Supreme Court occasioned a jump of 1s. 6d. in Mexican Eagles on Friday, while the better news from Egypt was well received in the oil market, but there was a partial reaction later.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Corres. Day 1941	Security Indices
			30 Ord. shares* 20 Fixed Int.†
July 2.....	2,927	2,528	78.0 132.9
" 3.....	2,930	2,533	78.6 132.9
" 6.....	3,989	2,638	79.1 133.0
" 7.....	3,266	3,344	79.5 133.2
" 8.....	3,124	2,863	79.7 133.3

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942 highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5). ‡ New basis in S.E. List. § Old basis.

New York

APART from a slight improvement in leading war stocks, conditions before the holiday on Wall Street were quiet. At the reopening some support for rail and steel issues was registered, but Tuesday and

without special authority. Wines and spirits once sold by auction may not be sold again by auction, and they may be sold only at a reasonable price.

Lac Control.—The Minister of Supply has issued the Control of Lac (No. 1) Order, under which the use of any lac for the purpose of making sound records is made subject to licence from July 14th. Licences will be required even if the lac to be used is in stock. Lac is defined as the resinous secretion of the lac insect,

whether in the form of sticklac, seedlac, buttonlac, shellac, recovered lac, or any other form.

Export Control.—The Board of Trade has issued the Export of Goods (Control) (No. 28) Order (SR and O No. 1251), the chief effect of which is to consolidate previous export control Orders. The Order comes into force on July 15th and sets out the position in regard to export licensing control at that date. Changes have been

(Continued on page 63)

	1942				
	Low April 29	High Jan. 14	June 17, 1942	June 24, 1942	July 1, 1942
347 Industrials.....	62.4	75.0	69.7	67.5	67.6
32 Rails.....	58.4	71.0	59.0	58.4	59.8
49 Utilities.....	53.1	67.4	59.4	67.5	67.1
419 Stocks.....	60.6	73.3	67.4	65.3	65.5
Av. yield*.....	8.40%	6.99%	7.26%	7.25%	7.25%

* 50 Common Stocks.
(a) Jan. 7. (b) Feb. 4. (c) June 17. (d) June 24

DAILY AVERAGE OF 50 COMMON STOCKS

June 25	June 26	June 27	June 28	June 30	July 1
83.5	83.5	83.7	84.0	84.2	83.4

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Total share dealings: July 2, 343,000; July 3, 357,000; July 4, Independence Day; July 6, 420,000; July 7, 332,000; July 8, 577,000.

Capital Issues

Week ending July 11, 1942	Nominal Capital	Conversions	New Money
To Shareholders only...	600,000	600,000	...
Particulars of Government issues appear on page 52.			
Year†	Including Conversions	Excluding Conversions	
1942.....	843,360,558	836,055,444	
1941.....	804,669,995	825,136,308	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942.....	835,690,982	349,272	55,190
1941.....	812,512,964	2,622,339	N/A

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1942.....	829,542,422	680,476	5,875,546
1941.....	811,972,128	304,460	2,868,715

† Includes Government issues to June 30, 1942, only. Above figures include all new capital in which permission to deal has been granted.

COMMODITY AND INDUSTRY NEWS

Wines and Spirits Auctions.—Since July 1st, no wines or spirits have been permitted to be sold by auction except under licence granted by the Minister of Food. Sales by auction may be made only to persons holding an excise licence authorising them to sell wines and spirits by wholesale or retail. The names of the owners of lots must be indicated in the catalogue. A buyer at an auction sale will not be permitted to sell to any person holding an excise licence similar to that held by him,

ASHANTI GOLDFIELDS CORPORATION, LIMITED

NOTICE IS HEREBY GIVEN that an Interim Dividend (No. 92) of 45 per cent., less Income Tax at 10s. in the £, has this day been DECLARED on the issued Capital of the Corporation in respect of the year ending 30th September, 1942, and will be payable on and after the 27th August, 1942, to all Shareholders on the Registers on the 7th July, 1942.

The TRANSFER BOOKS will be CLOSED from the 8th to 15th July, 1942, both dates inclusive, for the preparation of Dividend Lists.

As stated in the notice published 3rd June last, this dividend will take the place of the two Interim Dividends which have been paid during recent years.

By Order of the Board,

H. E. ASHBY, Manager and Secretary.

Temporary Registered Address:
St. Hilda's, Bushey, Herts. 7th July, 1942.

BIBIANI (1927) LIMITED

NOTICE IS HEREBY GIVEN that an Interim Dividend (No. 10) of 7½ per cent., less Income Tax at 9s. in the £, has this day been DECLARED on the Capital of the Company in respect of the year ending 30th September, 1942, and will be payable on and after the 27th August, 1942, to all Shareholders on the Registers on the 7th July, 1942.

The TRANSFER BOOKS will be CLOSED from the 8th to 15th July, 1942, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
H. E. ASHBY, Secretary.

Temporary Registered Address:
St. Hilda's, Bushey, Herts. 7th July, 1942.

Finance

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England Deposits by Banks	Total Floating Debt
1941				
July 5	955-0		Not available	
1942				
Apr. 4	905-0		"	
" 11	905-0		"	
" 18	910-0		"	
" 25	920-0	1757-3	251-7	487-0
May 2	935-0		Not available	3432-9
" 9	950-0		"	
" 16	965-0		"	
" 23	975-0		"	
" 30	975-0	1805-3	254-8	518-5
June 6	975-0		Not available	3553-6
" 13	975-0		"	
" 20	975-0		"	
" 27	2,638-5	160-4	36-3	591-5
July 4	975-0		Not available	3426-7

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1941					
July 4	75-0	153-1	75-0	20-0	69-38
1942					
April 10	75-0	155-0	75-0	20-0	3-02
" 17	75-0	147-5	75-0	20-0	2-89
" 24	75-0	133-0	75-0	20-0	3-15
May 1	75-0	148-0	75-0	20-0	0-30
" 8	75-0	143-8	75-0	20-0	0-73
" 15	75-0	135-4	75-0	20-0	0-65
" 22	75-0	143-9	75-0	20-0	0-78
" 29	75-0	151-5	75-0	20-0	0-70
June 5	75-0	147-3	75-0	20-0	0-56
" 12	75-0	131-6	75-0	20-0	0-67
" 19	75-0	124-3	75-0	20-0	0-90
" 26	75-0	141-4	75-0	20-0	0-58
July 3	75-0	143-9	75-0	20-0	0-54

On July 3rd applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 40 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury Bills are being offered on July 10th. For the week ending July 11th the banks will be asked for Treasury deposits to a maximum amount of £35 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2% BOND SUBSCRIPTIONS

(£ thousands)

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
May 26	4,333	2,112	6,225	3,350
June 2	4,370	2,263	5,060	2,996
" 9	4,184	2,238	7,013	3,548
" 16	4,391	1,712	7,505	9,719
" 23	4,566	1,820	4,636	7,087
" 30	4,160	1,455	8,326	5,066
July 7	...	...	8,546	5,858
Totals to date	569,792*	470,938*	770,667†	447,691‡

* 136 weeks. † 79 weeks. ‡ 39 weeks.
 † Including series "A." ‡ Including all series.
 Interest free loans received by the Treasury up to July 7th amounted to a total value of £48,998,464. Up to June 30th, principal of Savings Certificates to the amount of £71,922,000 has been repaid.

GOLD AND SILVER

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

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

Date	Cash	Two Months
July 2	23½	23½
" 3	23½	23½
" 6	23½	23½
" 7	23½	23½
" 8	23½	23½

The New York price of fine silver remained at 35½ cents per fine ounce throughout the week.

BANK OF ENGLAND RETURNS

JULY 8, 1942

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt:	Other Govt. Securities:	Other Securities:	Bank of England Deposits by Banks:
In Circulation	807,438,244	11,015,100	816,392,828	830,000,000
In Bank of England Department	22,803,474	1,828,398	763,674	
				241,718
				830,241,718

BANKING DEPARTMENT

Props. Capital:	Govt. Secs.:	Other Secs.:	Notes:	Gold & Silver:
14,553,000	171,657,838	222,610,877	22,803,474	1,374,374
3,313,669				
10,310,267				
146,487,632				
47,946,309				
				222,610,877

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

COMPARATIVE ANALYSIS

(£ millions)

	1941	1942
Issue Dept.:		
Notes in circulation	648-0	796-0
Notes in banking department	32-2	34-2
Government debt and securities	677-4	827-4
Other securities	2-5	2-1
Silver coin	0-3	0-5
Gold, valued at s. per fine oz.	168-00	168-00
Deposits:		
Public	10-5	8-0
Bankers	131-8	133-6
Others	52-4	47-3
Total	194-7	188-9
Banking Dept. Secs.:		
Government	152-8	145-1
Discounts, etc.	7-4	5-5
Other	18-4	20-6
Total	178-6	171-2
Banking depart. res.	33-9	35-5
" Proportion "	17-4	18-7

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £780 millions to £830 millions on April 22, 1942.

OVERSEAS BANK RETURNS

AUSTRALIAN COMMONWEALTH BANK—Million £'s

	April 1941	April 1942	April 1942	April 1942
Assets				
Gold and English ster.	17-71	24-95	24-95	24-95
Other coin, bullion, etc.	7-06	6-73	6-64	10-80
Call money, London	58-22	26-22	29-00	30-06
Secs. and Treas. bills	42-79	100-61	106-81	105-51
Discounts and advances	22-18	35-27	30-06	30-44
LIABILITIES				
Notes issued	66-12	92-36	93-86	94-86
Deposits, etc.	119-66	120-89	121-35	126-61

RESERVE BANK OF INDIA

Million rupees

	June 1941	June 1942	June 1942	June 1942	June 1942
Assets					
Gold coin & bullion	444	444	444	444	444
Rupee coin	367	275	257	265	277
Balances abroad	371	632	638	628	608
Sterling securities	1,188	2,569	2,569	2,569	2,519
Ind. Govt. rup. secs.	913	1,492	1,223	1,223	1,223
Investments	84	85	85	87	86
LIABILITIES					
Notes in circ.: India	2,588	4,359	4,386	4,390	4,432
Burma	181	287			
Deposits: Govt.	123	148	105	114	127
Banks	304	591	585	611	627
Reserve ratio	56-1%	63-0%	67-1%	67-0%	67-1%

U.S. FEDERAL RESERVE BANKS

Million \$'s

	July 1941	July 1942	July 1942	July 1942
12 U.S.F.R. Banks				
Reserves on hand and due from Treasury	20,312	20,556	20,551	20,551
Total reserves	20,562	20,845	20,853	20,825
Total U.S. Govt. secs.	241	275	286	259
Total bills and secs.	2,184	2,578	2,583	2,728
Total resources	23,846	24,995	24,655	24,821
LIABILITIES				
F.R. notes in circ.	6,788	9,229	9,254	9,409
Excess int. bank res.	5,270	2,790	2,650	2,260
Mr. bank res. dep.	13,125	12,706	12,523	12,191
Govt. deposits	837	160	139	485
Total deposits	15,782	14,143	14,020	14,018
Total liabilities	23,846	24,995	24,655	24,821
Reserve ratio	91-1%	89-2%	89-6%	88-9%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	22,627	22,749	22,735	22,739
Treasury & bank currency	3,150	3,311	3,313	3,314
LIABILITIES				
Money in circulation	9,704	12,208	12,231	12,416
Treasury cash and dep.	3,113	2,349	2,350	2,680

CENTRAL BANK OF ARGENTINA

Million paper pesos

	May 1941	April 1942	May 1942	May 1942
Assets				
Gold at home	1,071	1,077	1,077	1,077
Other gold and for. exch.	308	529	538	570
Non-int. Govt. bonds	119	119	119	115
Treasury bonds	395	394	394	394
LIABILITIES				
Notes in circulation	1,231	1,472	1,477	1,483
Deposits: Government	33	30	30	31
Banks	534	588	590	603
Certs. of participation	69	18	20	23
Reserve ratio	74-0%	75-4%	75-4%	75-8%

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	May 1941	April 1942	May 1942	May 1942
Assets				
Gold and sig. exch.	24-07	22-50	24-64	24-04
Advances to State	17-49	29-69	30-67	33-38
Investments	3-77	4-15	4-15	4-15
LIABILITIES				
Bank Notes	21-81	24-19	24-29	24-32
Demand liab.	8-41	11-41	11-58	11-60
Banks and others	13-98	17-58	21-51	23-62
Reserve to sight liab.	54-4%	42-3%	42-9%	40-3%

PRAGUE NATIONAL BANK

Million crowns

	May 1941	May 1942	May 1942	May 1942
Assets				
Gold	1,465	1,514	1,514	1,514
Foreign exchange	774	779	782	780
Other cash	1,016	408	505	387
Bills and securities	445	917	917	917
Advances	8,612	13,235	13,779	14,097
Other assets				
LIABILITIES				
Note circulation	7,030	9,858	9,779	10,210
Cash certificates	1,647	1,847	1,847	1,847
Clearing deposits	1,788	3,508	4,228	3,778
Other liabilities	1,304	1,097	1,099	1,287

SOUTH AFRICAN RESERVE BANK

Million £'s

	May 1941	May 1942	May 1942	May 1942
Assets				
Gold coin and bullion	50-47	52-62	53-23	53-57
Bills discounted	0-47	0-95	0-86	0-97
Invest. and other assets	40-74	53-96	54-41	54-10
LIABILITIES				
Notes in circulation	26-18	30-33	29-89	29-71
Deposits: Government	2-47	9-24	9-50	8-70
Banks	51-70	56-52	58-09	59-27
Others	7-48	7-43	6-82	7-20
Reserve ratio	58-1%	50-9%	51-1%	51-4%

MONEY MARKET

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended July 5, 1941	Week ended July 4, 1942	Aggregate from Jan. 1 to July 4, 1942
Working days	6	6	157
Birmingham	3,128	3,595	59,422
Bristol	1,894	1,903	59,696
Bristol	1,894	1,903	59,696
Hull	787	826	52,165
Leeds	1,315	1,179	26,776
Leicester	935	910	22,379
Liverpool	5,838	4,687	141,087
Manchester	14,656	14,476	313,224
Newcastle	1,632	1,595	34,916
Nottingham	538	556	12,101
Sheffield	1,330	1,265	18,583
Southampton	84	74	2,570
12 Towns	34,321	33,891	759,849
Dublin*	5,285	5,297	154,485

* June 28, 1941, and June 27, 1942.

(Continued at foot of page 63)

(Continued from page 61)

made in the list of the "all goods" destinations and in the provision under which certain goods may be exported through British Indian ports for transit overland to destinations in China.

Frustrated Cotton Exports.—The entry of Japan into the war caused apprehension in Lancashire about cotton goods awaiting shipment to Java and about the supplies in course of shipment. The Netherlands Government has agreed that the goods in stock in this country and diverted cargoes may be resold, but one of the conditions is that any loss or profit entailed will, to the extent of 50 per cent, be borne by the Royal Netherlands Government. The agreement has given considerable satisfaction to Manchester merchants.

"THE ECONOMIST" SENSITIVE PRICE INDEX

1935=100

	July 1942	July 1942	July 1942	July 1942	July 1942
Crops	117.8	117.8	117.8	117.8	117.8
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	142.7	142.7	142.7	142.7	142.7
	Mar. 1937	Aug. 1939	July 1941	June 1942	July 1942
Crops	147.9	92.2	108.1	115.7	117.8
Raw materials	207.3	122.9	170.1	172.7	172.7
Complete Index	175.1	106.4	135.8	141.3	142.7

* Highest level reached during 1932-37 recovery.

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE.

	Daily Average Sales	Stks. (at cost) end May
1942	Mar. April May	

COMPANY RESULTS (June 24 to June 30, 1942)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Coal, Iron and Steel													
Allied Ironfounders	Mar. 31	324,273	15,449	208,366	35,982	35,982	108,314	124	60,000	+ 4,089	115,905	99,905	8
Lloyd (F. H.) & Co.	Mar. 31	92,609	60,000	14,816	30,484	1,250	10,000	8	10,500	- 6,934	99,807	19,981	10
Park Gate Iron and Steel	Mar. 31	156,529	...	54,785	102,756	...	40,000	4	15,000	- 215	143,476	40,232	4
Partridge, Jones & Paton (John)	Mar. 31	122,863	...	72,791	270,591	...	75,117	314	...	- 2,326	219,253	110,253	47
Sanderson Brothers & Newbould	Dec. 31	49,196	10,533	22,433	55,108	2,473	5,555	5	...	+ 14,605	42,272	15,396	5
South Hettton Coal Co.	Mar. 31	85,199	24,969	18,373	65,455	7,500	12,500	5	...	- 1,627	97,530	20,243	5
Stephenson (Robert) & Hawthorns	Dec. 31	19,113	...	17,855	22,765	...	13,750	5	5,000	- 897	20,079	18,668	5
Stone (J.) & Co.	Dec. 31	474,151	256,042	214,109	465,815	24,000	150,100	20	...	+ 25,000	396,055	208,521	25
Whitehead Iron and Steel	Mar. 31	479,822	70,000	230,617	263,626	...	156,767	20	70,000	+ 3,850	565,792	216,163	20
Financial, Land, &c.													
Australian Agricultural Co.	Dec. 31	70,115	...	14,342	14,946	...	14,000	2-94	...	+ 342	48,195	19,245	57
Elder Dempster Lines Holdings	June 15	128,075	...	121,978	125,411	...	123,687	9	...	+ 1,709	136,553	132,093	9
National Star Brick, &c., Holdings	Dec. 31	8,306	...	6,488	5,506	(d) 5,994	...	...	...	+ 494	5,158	3,690	Nil
Olds Discount Co.	Dec. 31	25,387	...	12,724	24,006	7,000	5,000	5	4,000	- 3,276	23,103	12,235	5
Texas Land and Mortgage	Mar. 31	48,312	...	12,955	24,765	...	8,250	5	...	- 5,000	43,316	11,463	5
Trust and Loan of Canada	Mar. 31	148,934	...	743	36,590	...	...	...	20,000	+ 19,257	128,965	28,578	Nil
Rubber													
Amalgamated Bruns	Mar. 31	15,491	...	9,310	10,836	1,200	...	...	...	+ 8,110	28,458	11,225	9
Caledonian (Selangor)	Mar. 31	25,297	1,001	1,411	4,974	...	...	...	...	+ 1,411	33,546	7,454	10
Ceylon Timber, &c.	Dec. 31	7,419	98	4,642	6,696	...	4,760	10	...	+ 118	8,619	4,714	9
Grand Central (Ceylon)	Dec. 31	174,143	4,821	80,501	112,226	...	79,182	6	...	+ 1,519	177,991	67,765	6
Heavood Tin and Rubber	Dec. 31	24,127	...	13,871	13,871	...	...	...	8,000	+ 2,272	27,272	12,471	124
Hongkong (Selangor)	Dec. 31	28,071	...	11,106	18,547	...	9,000	40	...	+ 2,106	28,695	23,399	50
London Asiatic	Dec. 31	253,336	...	63,901	146,934	...	46,496	10	...	+ 17,405	311,788	79,618	10
Nagelle (Ceylon)	Dec. 31	18,928	...	9,699	10,312	...	9,257	5	...	+ 442	18,037	7,400	4
Rubber Estates of Krian	Dec. 31	12,322	...	1,518	3,536	...	...	...	...	+ 1,518	15,296	9,093	71
Sempah	Nov. 30	19,033	...	Dr. 1,512	461	...	...	...	...	+ 1,512	24,249	7,247	10-416
Telok (F.M.S.)	Dec. 31	5,057	725	1,743	4,094	...	...	...	...	+ 1,743	5,336	3,375	7
Trojak	Nov. 30	17,101	...	3,706	4,356	...	...	...	...	+ 3,706	18,729	6,356	10
Val d'Or	Oct. 31	14,300	...	7,912	21,445	...	...	...	...	+ 7,912	14,097	7,993	6
Waterfall (Selangor)	Sept. 30	48,738	...	Dr. 2,960	18,371	...	...	...	...	+ 2,960	51,514	27,836	Nil
Tea													
Assam Consolidated	Dec. 31	66,766	5,000	30,691	48,543	16,000	14,000	7	...	+ 691	41,415	15,953	Nil
Nuwara Eliya	Dec. 31	77,051	6,655	39,190	53,923	...	33,600	12	5,000	+ 590	77,668	38,523	12
Standard Tea Co. of Ceylon	Dec. 31	65,292	2,875	25,522	59,701	...	23,803	20	500	+ 1,222	54,489	24,780	3
Trains													
Nineteen Twenty-Eight Investment	Mar. 31	30,884	...	24,860	37,662	19,501	5,200	2	...	+ 159	37,860	31,627	20
Penland Investment	May 31	48,455	...	13,676	33,360	7,687	4,100	4	5,000	+ 3,111	48,360	16,980	3
Scottish Cities Investment	May 31	28,252	...	3,762	20,063	5,625	...	...	...	- 1,863	29,243	5,817	Nil
Other Companies													
Adlam (Geo.) & Sons	Mar. 31	30,198	2,608	1,475	3,326	...	...	...	...	+ 1,475	13,573	3,267	Nil
Albion Greyhounds	May 31	12,634	...	10,953	12,641	...	10,925	(a)	...	+ 24	11,559	10,880	(b)
Alpha Cement Limited	Dec. 31	221,718	125,000	46,509	85,133	44,138	...	...	...	+ 2,371	315,689	140,845	124
Associated British Engineering	Mar. 31	36,288	...	1,240	2,480	...	3,812	...	...	+ 2,480	37,744	9,918	5
Bassett (Geo.) & Co.	Mar. 31	75,149	...	31,053	43,065	3,750	25,000	20	...	+ 2,303	76,986	30,208	20
Bentley Engineering Co.	Dec. 31	76,916	...	7,952	24,988	5,700	6,750	154	...	+ 4,498	49,438	20,217	254
British Coated Board, &c.	Mar. 31	28,127	5,453	17,225	3,932	...	...	...	...	+ 17,225	20,964	9,504	Nil
Callender's Cable, &c.	Dec. 31	632,509	80,000	313,373	690,891	56,000	168,587	15	200,000	+ 111,214	689,631	335,274	15
Climax Rock Drill, &c.	Dec. 31	74,451	16,443	29,402	37,365	...	22,500	124	10,000	+ 3,098	76,785	39,234	124
Craig & Rose	Mar. 31	12,380	...	20,294	12,450	5,000	6,000	6	...	+ 1,586	7,450	7,450	4
East London Rubber	Feb. 28	121,117	5,918	33,199	13,199	11,000	17,500	74	...	+ 4,629	61,555	34,796	74
Ebonite Container	Feb. 28	19,189	...	18,203	31,638	...	14,450	17	4,000	+ 247	18,304	17,304	17
Elder Dempster Lines	Dec. 31	385,916	179,294	205,122	460,720	...	125,000	10	75,000	+ 5,122	537,495	217,520	20
Electric Construction	Mar. 31	208,157	23,752	54,667	84,690	7,000	30,000	10	15,000	+ 2,467	187,183	41,764	10
Gartside (Brookside Brewery)	Mar. 31	45,428	...	15,903	38,978	8,750	3,750	5	5,237	+ 1,834	44,199	15,393	5
Hanson (Sam.) & Son	Dec. 27	66,843	9,404	12,599	21,711	7,133	5,000	(c) 10	...	+ 466	111,247	14,366	(d) 10
Harland Engineering	Dec. 31	91,363	13,413	14,333	28,987	5,000	2,500	...	9,000	+ 467	61,559	34,796	74
Lilly & Skinner	Dec. 31	60,437	...	16,437	16,437	...	10,000	10	10,000	+ 427	66,160	57,760	10
Maclean's Limited	Mar. 31	416,887	...	164,154	169,427	21,024	142,500	30	...	+ 626	359,241	214,450	374
McColl (R. S.) Limited	April 24	37,162	...	Dr. 111	3,279	6,000	1,875	24	...	+ 7,986	24,691	21,759	64
Morrison (Gowans)	Dec. 31	30,834	...	10,846	15,943	3,500	8,250	154-75	...	+ 904	31,358	17,476	154-100
Moss' Empires Limited	Dec. 31	237,805	20,639	71,421	104,699	11,970	45,050	10	...	+ 16,401	197,429	79,330	10
Oxendale & Co. (Proprietors)	Feb. 28	17,630	...	15,813	24,751	16,375	...	...	...	+ 562	20,397	18,440	Nil
Scottish Stamping	Dec. 31	14,444	...	14,444	14,444	...	7,033	10	5,000	+ 385	21,507	18,440	Nil
"Shell" Transport & Trading	Dec. 31	2,367,778	...	2,314,028	2,833,822	800,000	1,447,282	54	...	+ 66,746	2,382,822	2,329,845	54
Spicers Limited	Mar. 31	129,612	...	61,714	143,321	32,500	20,000	4	...	+ 9,214	84,327	59,327	4
Stevenson & Howell	Dec. 31	72,723	...	30,013	99,068	5,950	18,525	134	5,000	+ 538	60,560	36,789	134
Sudan Salt Limited	Dec. 31	43,905	2,839	15,421	19,118	9,212	6,300	34	...	+ 91	28,867	15,530	34
Swan (John) & Sons	April 30	15,185	4,000	10,885	26,600	...	5,600	104	2,000	+ 3,285	16,178	12,878	104
Thames Grit and Aggregates	Mar. 31	21,165	...	17,941	31,211	5,625	7,500	10	5,000	+ 184	16,337	13,471	74
Thompson (John) Engineering	Dec. 31	121,462	11,772	119,507	119,507	11,772	50,738	224	40,000	+ 7,912	121,462	119,507	224
Trust Houses Limited	Mar. 31	593,950	...	122,054	160,000	45,000	75,000	6	...	+ 915	46,311	120,416	6
Vab Products Limited	Dec. 31	11,113	...	960	5,301	3,750	1,500	74	...	+ 2,054	7,054	3,734	5
Woodrow (John) & Son	Mar. 31	33,660	2,825	10,239	19,447	3,750	3,782	6	3,897	+ 90	33,782	9,692	6
Totals (000's)	No. of Cos.	9,566	942	5,201	8,082	1,292	3,247	...	597	+ 64	9,378	5,426	...
June 24 to June 30, 1942	69	183,429	14,492	88,769	145,121	18,873	55,060	...	9,309	+ 4,527	186,611	95,144	...
January 1 to June 24, 1942	884	...	...	...	...	...	...	...	...	...	...	...	...
Half-year Total to June 30, 1942	953	266,857	15,434	93,970	150,203	21,166	58,307	...	9,906	+ 4,591	195,989	100,570	...
First Quarter, 1942	...	...	6,973	42,980	74,604	8,755	28,231	...	4,915	+ 1,059	91,253	47,479	...
Second Quarter, 1942	...	...	8,461	51,010	81,590	12,411	30,076	...	4,391	+ 3,532	104,736	53,091	...

(a) Represents 34-6896% of ...
(c) Paid on Particip.A) and 130% on Deferred Shares.
Preferred Ordinary.(b) Represents 31-2997% on Ord. Shares and 100% on Deferred Shares.
(d) Years 1940 and 1941.
† Free of Income Tax.

(JULY 1, 1942, TO JULY 7, 1942)

Advance Laundries	Mar. 31	61,139	29,155	15,505	25,904	10,400	...	...	...	+ 5,105	51,841	3,024	Nil
Allen (Edgar) & Co.	Mar. 31	333,073	31,782	39,890	76,797	7,500	17,956	124	15,000	+ 566	353,854	44,439	124
British Central Africa Co.	Sept. 30	16,657	...	9,704	17,720	...	4,517	44	...	+ 5,187	11,882	8,017	7
Colman (J. & J.)	Dec. 31	242,312	...	218,334	366,653	37,889	163,010	16	...	+ 17,375	283,738	278,414	16
Cory (Wm.) & Son	Mar. 31	674,219	...	666,219	1,710,836	42,500	590,018	20	...	+ 33,701	712,284	703,739	20
Cranston London Hotels	May 31	26,264	...	8,285	8,920	4,272	...	...	4,500	+ 487	14,866	7,089	Nil
Crosfield (Joseph) & Sons	Dec. 31	891,501	...	771,501	918,059	227,500	525,000	35	...	+ 25,001	834,330	734,330	35
Distillers Company	May 15	1,974,610	...	1,862,168	2,406,307	66,000	1,216,097	161	600,000	+ 19,929	2,122,396	1,885,936	161
Glasgow Rubber	Dec. 31	19,335	...	3,434	5,942	...	...	...	1,000	+ 2,434	21,791	11,783	30
Gossage (William) & Son	Dec. 31	298,118	...	296,118	557,601	71,250	210,000	30	...	+ 14,868	295,611	298,611	30
James (J. G.) Limited	Jan. 31	85,395	1,193	24,654	65,594	36,020	11,900	10	...	+ 22,565	110,075	21,182	10
Johnson (H. & R.)	Mar. 31	61,139	10,000	15,065	12,174	7,500	5,000	...	...	+ 55,064	16,668	5	...
Kapar Para Rubber	Dec. 31	17,478	644	8,426	17,372	...	...	...	...	+ 8,426	26,477	12,785	61
Kurumegala Rubber	Dec. 31	13,642	...	3,454	5,954	...	2,208	5	1,000	+ 226	6,911	3,087	4
Leitheny Tea Estates	Dec. 31	10,573	1,000	2,462	3,324	...	2,500	5	...	+ 38	10,189	474	Nil
Leyland Motors Limited	Sept. 30	299,497	132,591	106,769	215,856	35,333	70,313	15	...	+ 1,123	286,339	92,274	Nil
Madras Electric Tramways	Dec. 31	30,056	10,000	9,013	15,216	...	2,500	...	...	+ 9,013	15,414	2,194	Nil
Manfields Limited	Mar. 31	19,374	...	11,316	15,980	5,200	2,500	10	2,500	+ 1,116	11,711	5,519	5
Nahama Rubber	Dec. 31	5,217	...	1,184	1,514	420	800	4	...	+ 36	3,082	1,161	...
North Malay Rubber	Dec. 31	91,469	2,477	22,669	27,758	...	...	...	...	+ 22,169	79,183	2,237	...
Pecham Investment Trust	Mar. 31	11,470	...	13,168	18,928	...	9,057	31	3,000	+ 1,304	17,408	14,16	31
Pundaloya Tea of Ceylon	Dec. 31	26,209	...	8,150	8,729	1,320	4,794	11	...	+ 36	29,257	6,557	11
Randall (C. W.) & Co.	Dec. 31	14,436	...	11,074	38,787	6,000	3,750	371	...	+ 1,324	14,533	11,163	371
Rockitt & Sons	Dec. 31	472,050	...	457,478	726,508	35,777	416,860	224	...	+ 4,841	560,157	544,045	224
Selangor Rubber	Dec. 31	12,819	...	2,623	16,567	...	...	...	3,500	+ 877	21,009	8,172	7
Sungei Way (Selangor) Rubber	Dec. 31	23,508	...	9,275	19,335	...	...	...	9,000	+ 275	39,350	21,172	9
Swan, Hunter & Wigham Richardson	Dec. 31	397,995	33,715	287,568	321,635	47,391	171,106	10	70,000	+ 923	314,058	203,445	10
Telephone Manufacturing Co.	Dec. 31	300,539	...	39,035	45,312	...	17,325	9	20,087	+ 1,643	177,855	28,983	5
Union-Castle Mail Steamship	Dec. 31	1,066,000	...	162,000	401,768	99,490	77,173	5	...	+ 4,855	834,994	208,004	...
Yatuvantota Ceylon Tea	Dec. 31	25,406	...	7,941	10,165	2,700	4,725	3	...	+ 516	17,578	6,192	2
Totals (000's):	No. of Cos.												
July 1, 1942, to July 7, 1942	30	7,537	252	5,089	7,891	736	8,528	...	729	+ 106	7,335	5,232	...
January 1, 1942, to July 7, 1942	983	200,632	15,687	99,069	164,094	21,901	61,835	...	10,636	+ 4,697	203,234	105,802	...

which are now under way in the United States, average productivity in the British war industries, including ship-building is almost certainly still higher. But this is a war of survival; and it would have been a dereliction of the Government's and the people's duty if, towards the close of the third year of war, these things had not been done. The point is that, in many instances, they were done too tardily. This is not the first time British guns and tanks have been given the palm in Minister's speeches. Six months ago there was no Minister of Production, no Joint Production Staff and no effective regional organisation. The Weapon Development Committee and the Scientific Adviser of the War Office are only a few weeks old.

In all fairness, the difficulties which have had to be faced must be appreciated; the contradiction in war production between mass manufacture and flexibility in the introduction of new types must be realised. But difficulties, though they may be explanations, are no excuse in wartime; if they are not overcome, the war is lost.

The American Challenge

THE speech made by the Under-Secretary of Agriculture, Mr Appleby, at Charlottesville, on July 10th, was the latest in a remarkable cycle of speeches given by leading American statesmen. The Vice-President, Mr Wallace, Mr Milo Perkins, Director of the Board of Economic Warfare, and Mr Sumner Welles, the Under-Secretary of State, spoke in May. In June, Mr Winant took up the tale at Durham. In July, he was followed by Mr Claud Wickard, the Secretary of Agriculture, Dean Acheson, the Assistant Secretary of State, and Mr Appleby. All these men work at the centre of public affairs. Their views may be taken to represent official American thought on the problems of post-war reconstruction. There are, of course, great stretches of the canvas which have still to be filled in, but the broad outlines of the picture are there—an impressive picture, drawn in the grand manner, with vision, with confidence, and with hope.

The basic assumption is concerned with the nature of war and peace. War is seen as part of a continuous process whose roots lie deep in poverty, insecurity, starvation and unemployment. A world from which these evils have not been banished is a world in which Hitlers and wars will perpetually recur. In Mr Wallace's words,

We failed in our job after World War No. 1. We did not know how to go about it to build an enduring world-wide peace. . . . We did not strive wholeheartedly to create a world where there could be freedom from want for all the peoples.

The war will not really be won until the deep causes of war have been rooted up. "Anti-Fascism is not a short-term military job," said Mr Winant,

it was bred in poverty and unemployment. To crush fascism at its roots, we must crush depression democracy. We must solemnly resolve that in our future order we will not tolerate the economic evils which breed poverty and war. This is not something that we shelve "for the duration"; it is part of the war. . . .

Here is a new thesis, a far deeper view of social and international responsibility than was ever enunciated at the close of the last war. It goes down to the foundations of society to discover the causes of such surface manifestations of social disease as totalitarian war. Above all, it seeks to put an end to isolationism, not only on the grounds of comradeship and world solidarity, but also in plain self interest. Economic selfishness breeds war, and war is national disaster.

How is war to be banished? The solution is studied in very broad terms. Its political framework is the will to peace and the continued co-operation of America and Britain. By reason of their power and experience, the English-speaking peoples will play a predominant part, but in no spirit of aggressive domination. The recognition of the "sovereign equality" of nations is maintained

Ministers cannot, like company chairmen, simply report progress and promise better things next year. Next year comes after this year's campaigns; and in war, there is only one test of work—success or failure in battle. Well done is not enough. However well they fight, Bock or Timoshenko, Rommel or Auchinleck will have no excuse if they are beaten; they will simply be beaten. The real test of British and American war policy will not come on the floor of Parliament or Congress or in the columns of any press. Russia is once more in peril. The Middle East is still in danger. At sea there is a lack of ships and heavy sinkings persist. The work of Allied statesmen will be tested, not by the worthiness of their brief, the goodness of their intentions or even the merit of their deeds, but by their ability to grapple successfully with the enemy, to free the seas, and to succour Russia before the enemy wins a new lease of life. The Government needs and deserves every aid. Not least in that aid is criticism to speed the Government on its way.

against the doctrine of the *Herrenvolk*. As Henry Wallace put it:

No nation will have the God-given right to exploit other nations. Older nations will have the privilege to help younger nations get started on the path to industrialisation, but there must be neither military nor economic imperialism.

In unconscious—or conscious—reaction against Wilsonism, the political structure of this co-operative world order is left vague. Mr. Sumner Welles clearly envisages a political association no closer than that of Pan-America which,

based as it is on sovereign equality, on liberty, on peace and on joint resistance to aggression, constitutes the only example in the world today of a regional federation of free and independent peoples.

None of the speeches goes into very precise details about the "system of general security" envisaged in the Atlantic Charter; but Mr Welles does give a general outline of the stages of security—a long armistice, the disarmament of the aggressors, a United Nations police force, and finally the United Nations as

the nucleus of a world organisation of the future to determine the final terms of a just, an honest, and a durable peace to be entered into after the passing of the period of social and economic chaos.

The reason for this rather vague and generalised approach to political and military security springs from the new conception of the deep causes of war. If Hitler is only the puppet of misery and unemployment, it is the economic ills of the people that the new system must primarily put right. All the speeches dwell at much greater length, and in much greater detail, on the side of post-war economic collaboration. And in this sphere, too, there is evidence of an entirely new and dynamic conception of post-war world relations. Underlying it is a great faith in the prodigies of production and science which the "era of the machine and the test-tube" has made possible. The scientific and economic resources which produced the weapons of war can produce in as great a measure the instruments of peace. As Mr Winant said:

What we want is not complicated. We have enough technical knowledge and organising ability to respond to this awakening of social conscience. . . . When war is done, the drive for tanks must become a drive for houses. The drive for food to prevent the enemy from starving us must become a drive for food to satisfy the needs of all people in all countries. The drive for physical fitness in the forces must become a drive for bringing death and sickness rates in the whole population down to the lowest possible level. The drive for manpower in war must become a drive for employment to make freedom from want a living reality. The drive for an all-out war effort by the United Nations must become a drive for an all-out

peace effort, based on the same co-operation and willingness to sacrifice.

This is the expansive, purposive concept of economics which underlies the new American outlook, the philosophy of the "new frontier . . . a frontier of limitless expanse," in Mr. Sumner Welles' words, "the frontier of human welfare."

The key is expanding markets, a "mass consumption great enough to use mass production," a future planned "in terms of increase and not curtailment." On this, agreement is absolute. There remains the vital problem of how these new standards of human consumption and welfare are to be built up, maintained and expanded. The instrument will be industrial capitalism, operating, broadly speaking, under conditions of private enterprise. This does not preclude a measure of Government control. Mr Sumner Welles believes that

given sound national policies directed toward the benefit of the majority, and not of the minority, and real security and equality of opportunity for all, reliance on the ingenuity, initiative and enterprise of our citizens rather than on any form of bureaucratic management will in the future best assure the liberties and promote the material welfare of our people.

Mr Milo Perkins talks of

a bold and daring use of long-term credits by every enlightened government of the world. Governments must enter fields where private finance cannot enter without assuming risks that are too great to take with other people's money.

In the sphere of agriculture Mr Wickard does not believe that

the United Nations will conclude a peace which permits unregulated competition for world trade, wildly fluctuating prices and periodic collapses. Rather we may look forward to an equitable sharing of markets, price stabilisation and regulation of supplies.

But within some very broad framework of this sort, private enterprise and free trade—the progressive scaling down of trade barriers, and the end of all discriminatory measures—are to be the chief instruments of economic advance.

Let there be no mistake about it. The policy put forward by the American Administration is revolutionary. It is a genuinely new conception of world order. It is an inspiring attempt to restate democracy in terms of the twentieth century situation, and to extend its meaning in the economic and social sphere. The fundamental point about it is that it calls for a co-operative venture, broadly based on the idea of the United Nations. The driving force behind it is to be the resources of the two most powerful industrial nations in it—the United States and Britain. On their partnership, the whole experiment must to a large extent depend. "If we cannot work with Great Britain," says Mr Appleby, "with what other equal political entity can we deal?" It is, therefore, quite staggering to realise that not one official word has gone back from this country, to take up, to welcome, to amplify,

or to clarify the challenge of these American speeches.

The dangers of this extraordinary silence are obvious. On the purely political plane, it means the passing of all initiative from this country to the United States. The partner becomes the poor relation. The great rôle of mediator, and bridge with Europe, is lost.

The position is even more dangerous in the sphere of economic organisation. The speeches came from the most progressive elements in America. But beside these elements there are thousands of men and hundreds of vested interests who do not in the least accept the thesis of co-operation. The United States is in the position of Britain in the nineteenth century. It can underbid and outsell any other producer in the competitive markets of the world. The business interests are aware of their advantage. Behind Wallace's "Century of the Common Man" stands Henry Luce's "American Century." Behind "the freeing of international trade" lurks "Break the British Monopoly." The great debate on world co-operation is not yet decided in America; and it is as short-sighted as it is tragic for this country to strengthen the forces of economic imperialism in the United States by ignoring the lead given by the Administration. The only schemes for post-war reconstruction that have seen the light in this country during the period covered by the speech cycle are the reports of the Chambers of Commerce, the National Union of Manufacturers and the Federation of British Industries. Let clauses 19 to 24 of the FBI Report be compared with the American statements. The contrast is appalling. Instead of co-operation for and in an expanding world market the report envisages

a system of barter or at any rate a system of bilateral trade . . . import and export controls, possibly by quota, preferential treatment of the imports of those countries which are prepared to assure us of the means of paying for them, and exchange control.

Dr Schacht is thrown back at Mr Welles and Mr Perkins. The American Administration is answered by those very interests which are most calculated to rouse the imperialist spirit in the ranks of America's own business men. And, if the post-war world is to bring with it fierce economic rivalry between British and American industry, there can be absolutely no question which nation will be the loser.

This is not to deny that large problems and great difficulties exist. It is to plead with every argument of sanity and economic interest that the problems and the difficulties should be dealt with at the level of governmental thought and action, at the level which the American Administration has chosen to make the first advance, and not in the boardrooms and directors' offices of interested bodies on both sides of the Atlantic. The United States has given the lead. Each day's postponement of a concrete and creative reply from the British Government frustrates the hope of a just and lasting peace.

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Report on Eire

[The first of two articles by a Special Correspondent who has just come back from Eire; the second article will deal with the economic position in Eire.]

AFTER close on three years of war, Eire remains a convinced and uncompromising neutral. Support for Mr De Valera's foreign policy is virtually unanimous. The Irish are determined, if it is physically possible, to stand aside from the war. And any suggestion that there is a moral obligation to come in gives rise to both surprise and resentment. Yet, to the average Englishman, Irish neutrality still appears incomprehensible, irritating and, often, innately "disloyal."

The reasons which are keeping Eire out of the war are more complex than the motives which have prompted other neutrals. To a belligerent people, these reasons must appear short-sighted and not completely logical. But they are a fact of existing Anglo-Irish relations which must be reckoned with. There is, of course, a fervent and general desire to remain at peace—a state of mind which will be painfully familiar to anyone who has lived in Europe, or for that matter in the United States of America, during the past decade. But this straightforward anxiety to keep out of war is shot through and reinforced, in Eire's case, by the age-old "Irish question." By remaining neutral when the British Empire is engaged in the most desperate war in its history, Eire is anxious to demonstrate that national independence is real. And a substantial majority of the Irish people do feel themselves a nation. The preservation and emphasis of their distinct nationality is a matter of general concern. The Irish see themselves as one of the ancient nations of Europe with as much right to elect to remain neutral as Portugal, Turkey or Sweden. They refuse to regard themselves as bound by their past connection with the United Kingdom. In consequence, the common assumption in Britain that Eire has a duty to enter the war on the Allied side serves effectively to stiffen the determination to remain neutral. This attitude is not based on animosity towards the British people. Indeed, it is agreeably evident that the Irish do not look on the individual Englishman, despite the blood and thunder of the past, as the Czech looks on the German. But Irish history for the past seven hundred years is regarded as the history of a conquered people who have struggled unceasingly, and in the end successfully, for independence. With this background, the Irishman is apt to be sceptical about the correctness of the British claim to be the champion of liberty and small nations. The Irish have seen the seamy side of imperialism; to prefer an Allied victory as the better of two evils is not enough to inspire a desire to take the Allied side.

Moreover, there remains the virtually insoluble problem of partition. The Irish believe the inclusion of the Six Counties in the United Kingdom to be a crime against nationality. How much the average inhabitant of Southern Ireland, whether small farmer or industrial worker, really concerns himself with the partition question is doubtful. It is possible, too, that the younger generation, which took no active part at the time of the troubles, is less interested in the partition question than the revolutionary generation, still in power, which failed to prevent the secession of the Six Counties in 1922. But there is genuine and widespread sympathy for the Roman Catholic minority in the north. Unfortunately, the matter has now become doubly difficult. To the intricate rights and wrongs of one of the most complex minority problems in the world have been added considerations of strategy. The loss of the southern ports and bases and the neutrality of Eire have served to emphasise the strategic indispensability to the Allies of Londonderry and the north, while, from the Irish standpoint, the failure to end partition has proved one of the most powerful obstacles to entering the war. Eire holds aloof from this war partly because the last war—for one reason and another—resulted in partition.

The Irish are, of course, too intelligent to ignore the consideration that it is the hated fact of partition which is largely responsible for continued territorial immunity in the south. Eire is, after all, still neutral simply because it has not been invaded. Ironically, the presence of British, and to-day more significantly American, forces in the Six Counties is playing a vital part in safeguarding Irish neutrality. There is, of course, no doubt that, had Germany and not Great Britain been the next door neighbour, immunity would not have been enjoyed. But it cannot be too clearly realised that, whoever the invader, Irish resistance would be very vigorous; and the trouble which an invader could be given by the tough, commando trained and expanded Irish army, as well as by the guerrilla operations and sabotage of practically the whole population, should not be underestimated. Nevertheless, the Irish possess no panzer divisions and, in the absence of the Allied bridgehead in the north, the country would have proved a standing temptation to German arms. It is recognised in Eire that the Allies' pressing need for Atlantic ports, and for air bases with which to expand the air offensive against the continent, might well be a temptation to Allied arms—a temptation which might grow, as need grows, now that the United States is in the war. In consequence, there is a constant attempt to prove that the strategic value of the Irish ports is negligible.

Yet, the most characteristic thing about Eire to-day is the overpowering majority of opinion which hopes for an Allied victory. This is true, in spite of the fact that, under the German "New Order," partition might be ended in favour of the south and that dislike of Communism for philosophic, religious and temperamental reasons is common ground in Eire. There is, of course, a minority which wishes for a German victory, as there is also a section of opinion which would prefer a compromise peace. It is scarcely possible to distinguish groups or categories which typify these various points of view. There would appear to be little distinction, even of emphasis, between the unswerving neutrality, or the grounds on which it is based, of the Government party, Fianna Fail, of Fine Gael, the opposition party led by Mr Cosgrave, or of the small Labour party. A very high proportion of the nation is solidly behind neutrality and, within this body of opinion, hopes and fears for the outcome of the war are dictated by personal, not party, group or class, factors. The Irish are intensely individualist, and their actual or probable reactions to any situation defy any but the broadest classification. Outside the main body of neutrality supporters, there remain the two small groups of "interventionists": the heirs of the protestant unionist tradition, who would probably be glad to see Eire among the Allied nations; and the modern IRA, posing as the heirs of the republican tradition, who are to-day pro-German. These two groups, which, on matters of foreign policy constitute the real opposition, appear to be completely untypical. The majority do want the Allies to win; and this aspiration takes practical form. Although the Government maintains a rigid neutrality, the absence of a foreign enlistment act permits men and women of working age to serve, in large numbers, in the British forces or to work in British war factories.

The typical Irish apologia amounts to a plea that the neutrality of Eire, then, cannot be judged by the standards of Dominions such as Canada or New Zealand, or by the standards of the liberated nations of the continent such as Poland and Czechoslovakia, or even by the standard of the first of the lost colonies, the United States, with whom time has placed many indiscretions for Britain and America. Without minimising the assistance which a belligerent could afford, it is not unreasonable to say that the position is in many ways better than it was in the last war. Then, Ireland was a constant source of anxiety, seething with open and sub-

terranean revolt. To-day, the average Irishman is well disposed towards Great Britain. Many Irishmen are risking their lives in British service, undeterred by conflict at home. Pro-German sympathies have been reduced to a minimum.

A most unhappy aspect of Irish neutrality is undoubtedly the fact that, however the war ends, the Irish people will have alienated much good feeling in England and America. The sentiments of nations at war are not

compatible with understanding and sympathy for the neutral who thinks he knows better—particularly when that neutral must seem less foreign than the Portuguese or the Turk. Eire will continue to make its own judgment, and has every right to do so. Yet, it must be asked—however grim the record of Cromwell and the Black and Tans—whether the Irish will be proved right by history in their decision to stand aside from a conflict which is to determine the future of the world for a thousand years.

NOTES OF THE WEEK

Withdrawals on the Don

It is useless to minimise the gravity of the position in Russia. The German break-through across the Don in the Voronezh area has been extended and the town is in imminent danger. To the south, von Bock has followed up the capture of Rossosh and Boguchar by a new drive into the angle formed by the river Don in its sharp turn southwards. The direction of this new offensive is Stalingrad, a town which Red Star calls "the solar plexus of our country." Its capture would irrevocably cut off Marshal Timoshenko's army in the Caucasus from the Russian armies in the north; it would give the Germans control of the Lower Volga and thus of one of the main supply routes of Russian oil; it would also mean the loss of the last effective north-south railway line of communication. Thus, the economic consequences of a successful drive to the Volga would be disastrous indeed, for Russia's armies must depend very largely on the oil in the Caucasus. It is probably true to say that the Germans are more anxious to cut the Russians off from this source of supply than to secure it for themselves. The dislocation of transport which would follow from the loss of the Stalingrad sector would be equally damaging. Yet it should not be forgotten that the Germans, too, are straining depleted resources. They have superiority in armament, but they have still failed to surround and annihilate the Red Army. Russia's withdrawals are designed above all to keep the fighting machine intact, and there is nothing to suggest that the blows in the south or the new attacks in the Kalinin area have led so far to any serious disintegration in the Soviet ranks. The trouble is, of course, that after last year's retreats, the area within which strategic withdrawal can still be carried on without endangering the army's supply position is growing weekly less.

Second Front

In these critical days it is natural that the Russians should strain their eyes across Europe for some sign of the "promised" Second Front. The British communiqué issued at the time of Molotov's visit to this country did not contain a specific guarantee; but the Russians believe it did. Now the Russian press is beginning to urge the need of speed. Zaslavsky wrote in *Pravda*:—

Time is the ally of the brave. But it turns against the faint-hearted, the waverers, the unresourceful. The anti-Nazi coalition has every opportunity to frustrate Hitler's plans and destroy him now. . . . But opportunity is not reality. A lost opportunity means lost time and lost forces. To miss a chance of striking at the enemy is to give him a chance to entrench, to give him a breathing space to enable him to bide his time.

Colonel Gavrilov, writing in *Soviet War News*, speaks confidently of all that Hitler is trying to achieve "before the Second Front opens in Europe." It is no good baulking the problem of the Second Front. Only those who know all the military details can judge the strategic aspects of the problem. A successful Second Front at this stage would be the best means of winning the war; a disastrous failure in reinvasion might lose it. But, apart from the strategic and military question, there is a political problem which exists, whether or not a Second Front is practicable. It is the problem of the good will of the Russian people. For twenty long years they have believed in encirclement; they have believed in the fundamental hostility of capitalist governments to the achievements of Russia's social revolution. The first great break in this fear psychosis was the offer of a British alliance when Hitler attacked. Possibly an even greater breach was made in the walls of suspicion when, under Mr Eden's personal initiative, the Anglo-Russian

Treaty was signed in June. The Russian people felt at last that the outside world was no longer so alien and hostile. Thus among the most precious of the creations of this war is the small capital of good will which has been built up between Russia and the West. If there is to be a peaceful and co-operative era after this war, that capital must be preserved at all costs, for fear is the most potent breeder of international rivalry and war. Will it be possible to maintain it if right through the long agony of this summer no military action is taken in the west? Will the Russians not argue that the capitalist Powers waited for the collapse of Russia's resistance before beginning in earnest the task of defeating Hitler? This doubt about the intentions of Britain and America fits far more easily into the psychology of Revolutionary Russia than the other, more hopeful but more recent, view of great nations working together for the building of a prosperous world.

Egyptian Defence Line

The initiative in Egypt has passed to the British. First, they attacked and gained control of Tel el Eisa. The position was consolidated and a firm salient driven into Rommel's line in the northern sector. Then a "limited offensive" was successfully launched against the centre of the German line. The enemy's counter-attacks have failed. It looks as though the British are recovering sufficiently from the disaster of June 13th to exploit their strong defensive position at El Alamein. Until the break through on the Don, the course of the Russian campaign suggested an increased strength in the defensive, and now that the British are defending a relatively short line, within easy distance of the supply base, they may be able to resist much harder knocks than Rommel has so far been able to deliver. Nevertheless, the fact that they are holding now does not gloss over the fact that on all counts the fighting in the Libyan and Egyptian campaigns shows at every turn the shortcomings of the three-Service point of view. The RAF has been in action day and night in increasing strength to aid the ground troops, but even this air superiority could not be effectively exploited, for lack of earlier integration between land and air in design, equipment and training. Apart from the single short, sharp bombardment of Messa Matruh, Rommel's whole long seaward flank has not once

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been harried by the Navy; there has been no use of airborne troops in any capacity. These are not the methods that can bring about a victory. If the United Nations are to turn to the offensive, then it must be an offensive conceived in a far more imaginative and far more scientific light than has hitherto been the case.

Mayotte—and Madagascar

The peaceful occupation of Mayotte, the largest island in the Comoro group at the northern end of the Mozambique Channel, on July 2nd by a mixed force of British and African troops again draws attention to the situation in Madagascar. The operation against Mayotte was probably inspired by the recent sinkings of Allied and neutral vessels in the Mozambique Channel. Mayotte has a useful harbour which could not be allowed to fall into hostile hands. The action was well timed and successful, but it cannot fail to underline the general surprise that, in the two months and more which have elapsed since the capture of Diego Suarez, little offensive activity, short of exploratory patrolling, has been undertaken by Allied forces. The truth is, of course, that Diego Suarez is not only the sole naval base, it is virtually the only harbour in the island. Tamatave, Fort Dauphin, Morondava, and the rest possess anchorages of far less general utility to either the Allies or the enemy. And the Mayotte affair provides an earnest that the suspended animation which hangs over Madagascar is not just due to an official oversight. There are competing claims for limited resources and, in the process of allocation, Madagascar, with its naval base in Allied hands, does not head the list. That the campaign must be completed at the earliest opportunity is obvious. Marshal Pétain himself pointed the moral in a statement at Tulle last week that the Allied occupation would not prove durable so long as the Vichy forces were able to maintain a foothold in the island.

Threats from Wardha

The Working Committee of the Indian Congress Party has not gone all the way with Mr Gandhi in his latest *gaffe*. The plan of the Mahatma was to call upon the British to abdicate at once and to threaten immediate civil disobedience if this was not done. The Working Committee has softened Mr Gandhi's pacific fury. The British Government is asked in the Wardha resolution to hand over power to Indian hands; but it is emphasised that there is no wish to hinder the prosecution of the war and that the Congress Party is most unwilling to use "its non-violent strength." Moreover, it is now made plain that—not unnaturally, in view of the closeness of the Japanese forces—there is no wish to see the complete departure of the British from India. The argument is that, if British rule is withdrawn, Indians will come together to form a representative Government which will rally the Indian people in the defence of their country and proceed later to the making of an independent constitution. Plainly, this is the Working Committee's revised version of the Cripps plan. Equally plainly, it is built on sand. The suggestion that Indians should come together was made by Britain, and it has signally failed. The Wardha resolution will not become effective until Congress has met in Bombay in August. Meanwhile, Mr Gandhi has made his own gloss: "There is no room left for negotiation . . . this is open rebellion . . . by a mass movement on the widest possible scale . . . as short and swift as possible." Mr Jinnah, the President of the Moslem League, has not been helpful in the recent search for Indian agreement, but it is hard to deny the correctness of his view that "Gandhi is rattling the sword" and that "Gandhi, by independence, means Congress rule." There is still time for common sense to prevail. More and more, it is clear that the Cripps plan was the best and most workable scheme. Nothing that can be done to bring together Indians of good-will should be neglected.

Shops in Wartime

The National Union of Retail Tobacconists has a simple solution for the problems of war-time retailing. Instead of reducing the number of small shops, they suggest, an increase in shopkeepers' margins of sale, entirely overlooking

the fact that, whatever the case in peace-time, there are too many shops and shopkeepers in war-time, when the need is to free every possible hand from civilian work. It has even been suggested that the Government should be asked to fix increased margins in order to keep tobacco retailers in business—an extraordinary inversion of common sense. The tobacconists' attitude arises in part from their experience of the domination of manufacturers; the manufacturers are not prepared to increase margins, so they hope the Government may be persuaded to do so instead. The drapers, it seems, according to the *Drapers' Record*, are too sensible—or too safely established—to see the war-time situation in this extraordinary light as a choice between fewer shops or higher margins. They consider, referring to the retail trade committee's plan to assist withdrawing shopkeepers, that

this scheme which disposes of practically all worry over rent or mortgage interest, should be considered carefully by every trader who might be tempted to fritter away his resources in a hopeless attempt to carry on.

Other well-established shopkeepers, like ironmongers, are in agreement. A more general attitude, however, judged by the trade journals, is the view which welcomes the scheme for concentration, not because it will help the war effort or shop-keeping while the war is on, but because it may be the thin end of the wedge for the control of post-war shopping by trade associations. Here at last, in the prior rights of re-entry which are proposed for withdrawing shopkeepers, seems the chance to make retailing a closed shop—the goal and aspiration of every trade association, with its plans to license retailers, to fix prices and margins and to coerce price cutters. The fact is that retailing does not, and cannot, speak with a single voice. The scheme for concentration is regarded quite differently by different trades, according to the size, number and stability of their units and according to their varying relations with manufacturers. The voice which is least often heard is that of the substantial and well-established shopkeepers who belong to, and are represented by, no trade association and whose independence is threatened far more by the associations than it is by the war or the plan for concentration.

France Combattante

Another Fourteenth of July has come and gone. In Vichy it brings to an end another year of collaboration and surrender, during the course of which the prestige and autonomy of the Pétain regime have been steadily whittled away. Among the Free French, a year closes that has had its ups and downs—the St. Pierre incident, the departure of Muselier—but has on the whole led to a clarification of the Movement's position and a great strengthening of its international status. The National Committee has been established, and there is a possibility that the representation on it will be further extended and strengthened. The United States has recognised the Free French authorities in Africa and the Pacific; and within the last week Admiral Harold Stark, Chief of the United States European Naval Forces, and Brigadier-General Charles Bolte, Chief of Staff of the American Army's European Headquarters, have been appointed to consult with Free French Headquarters in London on all aspects of the war. The State Department makes it clear that the step is of military not political significance, for

the destiny and political organisation of France must in the last analysis be determined by the free expression of the French people under conditions giving them freedom to express their desires, unswayed by any form of coercion.

This is, of course, the view of the French National Committee, and as an appropriate symbol of its purpose, the name Free France is now to become Fighting France, *France Combattante*, a change which underlines the fundamental motive of total resistance to Germany and links in a closer way all those who carry on the struggle, whether free or unfree, outside or inside France.

Coal Control

On July 13th the Minister of Fuel and Power assumed control by Order over the operation of coal mines, as a first step in the Government's plan to increase coal output. Major Lloyd George has divided Great Britain into eight coal-producing and four non-producing regions and appointed

a controller for each region at a salary of £2,000 to be paid by the Exchequer. These controllers, which include Mr. E. Raymond Evershed, chairman of the Central Price Regulation Committee, will exercise the powers of the Minister; they will

assume control of colliery undertakings and give directions to the managements regarding the carrying on of the undertakings.

In order to enable the controllers to act swiftly and decisively, individual collieries have been asked to nominate a single person for the purpose of receiving and carrying out directions. It is understood that the new organisation, which will include a national and regional coal board, representing the interests concerned, but acting in an advisory capacity to the Controller-General and the regional controllers, is being completed as rapidly as possible. It is to be hoped that the process of setting up machinery will not be delayed, for, after all, the main reason for the new organisation is the urgent and vital need to increase production at once. There is no reason why plans designed to speed up output should await the completion of the organisation. The call is for more coal now. A substantial reserve by the end of September is imperative. On the side of consumption, common sense has been frustrated by the anti-rationers, who have put the war effort in jeopardy to satisfy a slogan; on the side of production, there can surely be no more delay.

Fuel Economy

The campaign designed to secure an adequate voluntary reduction in the consumption of coal and other fuel by householders is in mid-stream, and official spokesmen still express the hope that rationing will be unnecessary. The Government's attitude towards the public takes the form of "it all depends on you"—which, according to all experience in this war, should rightly be regarded by now as a solecism. It is more encouraging that the Ministry of Fuel and Power is now taking the preliminary steps necessary to introduce rationing if necessary. Forms are being distributed by the Ministry to households in order to enable it to secure the necessary data about numbers of rooms, size of households and of stocks, and the registers of residential, and of industrial premises consuming less than 100 tons of fuel, in terms of coal, per annum, have been transferred from merchants to the local fuel overseers. Economy in the industrial consumption of fuel is encouraged by exhortation and advice; but this can hardly provide an alternative to the introduction of a system of allocation of coal similar to those employed in the distribution of other scarce raw materials. The Ministry is now appointing "enforcement" departments to ensure that its Waste of Fuel Order is carried out. A former member of the Metropolitan Police, ex-Superintendent Roderick Stewart, has been appointed head of its enforcement staff in the London area. To begin with, these enforcement staffs are apparently to concentrate their attention on public places, rather than on factories and private houses, and they will thus not "interfere" with the campaign to secure voluntary economies in private households. But, while a system of rationing remains the best means of combining a reduction in consumption with fair distribution, the effectiveness of the present campaign to secure voluntary economies would have been enhanced if a definite time limit to the trial period had been set.

Conflict in Canada

By 158 votes to 54, the Canadian House of Commons has given a second reading to the Bill removing the geographical limits on conscription. Thus, each step taken by Mr Mackenzie King's Government on the conscription issue merely emphasises what was obvious as soon as the war began—that conscription for service overseas would be almost unanimously opposed by the French Canadians, who accounted for 47 of the 54 against. Both this minority and the minority who pushed the conscription issue to the forefront are, as our Ottawa Correspondent pointed out in an article published in *The Economist* last week (page 45), extremists who "are basically colonial-minded." How remote the issue is from most Canadians is shown by the enlistment figures which have kept well ahead of requirements. In winding up the debate on the second reading, Mr Mackenzie King said that the totality of Canada's war effort would not have been increased by

the use of compulsion for raising men for overseas service, and that as soon as the Government reached a decision to use it, Parliament would be informed and would be given the opportunity of recording its confidence or lack of it in the Government. Possibly, the only advantages yielded by Mr Mackenzie King's conscription policy are, first, that the plebiscite and the debates over the Bill showed that there is no issue in Canada over the war itself if it were necessary to prove that—and, secondly, that the Bill is a useful accompaniment to the new Budget: it will emphasise to Canadians as a whole that still greater efforts and sacrifices must be made. But these advantages are probably outweighed by the uncovering of the cleavage that exists and by the weakening of the Government's position in Parliament and the country as a whole.

Waiting on Vichy

If there is any military advantage to be gained by tempering the wind to the shorn Pétain, then the State Department is perfectly justified in its long suffering. But serious doubts must be raised every time the Mediterranean battlefield becomes more active. There is conclusive evidence that transport trucks and other vehicles have been reaching Rommel through Tunisia. Any distinction between weapons and transport is, of course, fatuous in mechanised war. The trans-shipment of vehicles is direct military aid. It is not as though the United States were securing any concessions in return for their conciliatory attitude. When the stringency of the Allied shipping problem and the pressure of danger on Egypt are considered together, the American offer to send the interned French fleet under its protection from Alexandria through the Suez Canal to some neutral or American port appears incredibly generous. The Note which made the offer also pledged the return of the ships to France. Vichy's reply was a tart rejection. This was followed apparently by a further American offer to give the ships a safe conduct to Martinique. Vichy replied that it would prefer to move the ships to a less distant French harbour. It was only at this point that the United States decided that the British would be justified in sinking the ships if an attempt was made to hand them over to German control. The attitude of the State Department in this instance has obviously done no particular harm. But the incident is striking evidence of a state of mind that might have very dangerous consequences if ever the military needs of the United Nations were to come into sudden and violent conflict with the authority claimed by Vichy.

Summer Rations

The shipping position makes it imperative that all possible measures for the restriction of imports and for food control should be applied. It is quite wrong to suppose that the "hardships and sacrifices" referred to on Tuesday by Mr Lyttelton have come anywhere near the limits of endurance; the merest glance at Russia—or Germany—would restore the perspective of those people who think that they have. The Ministry of Food has announced, on the one hand, that the points available to consumers under group rationing are to be reduced, and, on the other, that the cheese ration is to be doubled. The reason given for the first decision is the need to stock up for the winter, and for the second, the fact that the policy of importing cheese and dried eggs, giving the best value in the smallest shipping space, has already improved the stock position of these commodities. It is possibly also due to the fact that

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people have not fully used their cheese ration. Cheese gives the next best protein value to meat, and it will probably be necessary to accustom the public to eat less meat and more cheese in the next months. The Ministry are "popularising" cheese among housewives; they may have been premature in reducing the points of some canned meat. Although the cheese ration for special classes is also to be increased, it is a pity that more discrimination in favour of heavy manual, mining and agricultural workers could not have been exercised; cheese is the staple diet of such workers. At the same time, it is to be hoped that the Ministry, which is ready to apply elasticity to the rationing system, will consider bringing more foods, at present in short supply, into the points system—which is the only way to ensure the equitable distribution of supplies.

Eating Out

It is perhaps too early to judge the effect of the "Meals in Establishment" Order. Superficially, the position appears little changed and it is difficult to find evidence of "austerity" in the meals served in restaurants, hotels and clubs. The larger establishments have to a certain extent compensated for the restriction on food charges by their house charges, by cutting down the portions or by adding to drink bills. The chairman of Grosvenor House said at the company's annual general meeting last week that the Order was bound to affect business adversely in the long run. He complained about unfounded attacks in the press on so-called "luxury" hotels, which, he pointed out, received no preferential treatment and had exactly the same sources of supply as British restaurants and industrial canteens. (The severe sentences recently passed on certain London black market offenders should act as a warning against attempts to seek unofficial sources of supply.) It would indeed be peculiar if hotels and restaurants were to receive preferential treatment over British restaurants and canteens in rationed goods. But their buying power does give them access to poultry and other unrationed goods in precedence to housewives, an unjustifiable anomaly which could, and should, be removed by control over their purchases. The majority of their customers do not need any extra rations; in fact habitual eaters-out can draw their ordinary rations over and above the food they consume away from home. The case for giving up coupons for rationed foods consumed in restaurants is a very strong one and no valid arguments against such a scheme have yet been advanced.

Ships for Allies

Arrangements have now been made by which Allied Governments, like British shipowners, will be able to purchase, in proportion to their losses, merchant vessels constructed on behalf of the Government. Details of the scheme were published in a White Paper (Cmd. 6373) last week. The chief difference between the agreement with British shipowners and that with Allied Governments is that in the first case the scheme provides for deferred delivery and, in the other, for immediate transfer, provided the vessels are manned by a complete crew of the nationality concerned. Like the British vessels requisitioned by the Government, the vessels purchased by Allied Governments are to remain on charter to the Ministry of War Transport for a period defined as not more than six months after the cessation of hostilities; and it has been agreed that the vessels are to be available for the purpose of re-victualling Europe after the war—both essential safeguards. In order to fulfil these conditions, the Allied Governments have agreed not to dispose of the vessels during the currency of the charter parties with the Ministry of War Transport. While the agreement between the British and Allied Governments is itself unobjectionable, it raises the question of shipping collaboration in the post-war period, and, particularly of the conditions attaching to the transfer of American-built vessels to the British Government under Lend-Lease. True, the position is not analogous. The agreement between the British and Allied Governments provides for the partial replacement of lost tonnage chartered to the Ministry of War Transport and may be said to fulfil a moral obligation, an issue that does not really affect deliveries of American vessels to Great Britain. Moreover, provided crews are available, American-built ships would presumably be transferred to Allied Governments on the same conditions as those by which they are delivered to this country. While nothing

must be allowed to prejudice the shipping position during the war, it might nevertheless be possible to clarify the position. What is needed is not for the United States to impose conditions upon Britain, or Britain upon Allied Governments, but for all the United Nations to make a common binding agreement to secure co-operation in the use of transport when the war ends.

Africans in the Colonial Service

It is excellent news that two Africans, Mr K. A. Busia and Mr A. L. Adu, have been appointed assistant district commissioners in the Gold Coast administrative service. Other Africans have held office, and high office, in Government service in the Gold Coast before now, but they have been in the specialist and technical branches. It is the administrative service which brings its members most closely into touch with the everyday lives of the people; the district commissioner's functions are all-embracing and responsible—his tasks may range from the preservation of law and order to settling marriage disputes and assessing taxes. There could be no better way, therefore, of fitting a colony for self-government than by giving those of its people who are fit to do so the chance to govern. They will be able to obtain an intimate knowledge of their country and their people which will help them to assume responsibility for policy as well as administering it. For it must not be forgotten that the people of such a progressive colony as the Gold Coast will not be diverted from their claims to self-government by the grant of self-administration, even though the latter may be considerably extended. The appointment of Mr Busia and Mr Adu is a good beginning, but it is only a beginning and it is a small one.

Science and War

The Association of Scientific Workers has accumulated evidence about the frustration of research. There are a large number of scientific bodies advising the Government, such as the Department for Scientific and Industrial Research, the Medical Research Council, and the Agricultural Research Council; and the Supply and Service Departments have their own scientific experts. But the work is largely unco-ordinated, too divorced from practical administration, and too remote from the places where decisions are made. Much of the work on research and design is carried out in the field by industrial scientists; but, too often, firms are jealous of their trade secrets, and refuse to pool information, whether they are working direct on Government orders, or are sub-contracted to another firm. Another criticism is that many industrial scientists are engaged on work which is not directly connected with the war effort—an example recently quoted is that of research into a new kind of tooth-paste—but which is designed to secure the competitive superiority of a particular product in the post-war market. There is evidence of lack of co-operation between research and production departments. The representation of research and technical staffs on joint production committees would be one way of achieving better co-ordination. Mr Lyttelton is investigating the whole question of how scientific organisation could be improved. In the United States the Office of Scientific Research and Development, including the country's leading scientists, acts as a Scientific General Staff.

Holidays at Home

The holiday season has come round again and with it the usual muddle about railway travel. The Government has issued its usual exhortations to the public to stay at home; local authorities have been arranging local amusements; the Railway Executive Committee advertises that "needless travel adds to the major problem of the United Nations"—and the railway companies are running special, extra and relief trains to take people to the seaside. This stupid inconsistency is quite unnecessary and very irritating to people who are holidaying at home and, according to the opponents of fuel rationing, to people who are economising in fuel. Most workers would naturally prefer to go away, because, however successful the attempts to brighten up their home towns, what they want—and often unquestionably need—is a change of faces, a change of scene and a change of air. Nor is a holiday at home anything but working overtime for the housewife. People who go away are not necessarily unpatriotic if they return refreshed enough to re-

sume their work with added vigour. Moreover, the industrial districts of the north-west are conveniently near seaside towns for travelling to them to make comparatively small demands on transport and fuel. Sir Arthur Salter admitted last week that there had been some "let-up" on the previous restrictions on extra holiday trains; but he said that they were only allowed if they did not interfere with freight traffic and did not exceed the number run last year. But he also exposed the whole inconsistency of the Government's case when he said that it was a matter of balance between the relatively small amount of coal involved and the considerable advantage to the enjoyment and health of those concerned. If enjoyment and health are to be taken into consideration for some, they must be taken into consideration for all, and the appeals not to travel should be suspended for the holiday months. If the Government thinks that this cannot be done without endangering essential traffic and consuming an undue quantity of coal, then enjoyment and health must be ignored and the ban on extra trains rigorously maintained.

Shorter Notes

The death of the Prime Minister of Turkey, Dr Refik Saydam, came at a critical juncture. But the news that he has been succeeded by M Shukri Sarajoglu, the Foreign Minister who negotiated the Anglo-Turkish Treaty of 1939, is a welcome guarantee of continuity in Turkish policy. The portfolio of foreign affairs will not, as was at first reported, be retained by M Sarajoglu, but will be held by M. Menemenjoglu.

According to a parliamentary answer, the estimated annual cost to the Exchequer of the various social services is at present as follows:—

	£ millions
Old age, contributory and supplementary pensions	104.6
Unemployment insurance and assistance	31.5
National health insurance	9.1
Education	68.0
Housing subsidies	18.5
	231.7

The table excludes expenditure by local authorities and contributions from the insured as well as the cost of war-

time social services, such as allowances for the dependants of men in the forces, war pensions, food subsidies and evacuation.

The cost of food subsidies was given by Lord Woolton in the House of Lords this week. From January 1st to March 31st this year the cost, including freight and marine war risk insurance, was at the rate of £127 millions per annum, after allowing for £10 millions profits realised on certain commodities. The individual rate of subsidy for the foodstuffs subsidised was as follows:—

	£ millions	National milk scheme, etc.	
Flour, bread, oatmeal and animal feeding stuffs	40	18	
Meat	23	11	
Potatoes	20	3	
Sugar	13		
Milk	2		
		ham, carrots and other items	7

The following table gives the number of civilian casualties in air raids since September, 1940:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept.-Dec., 1940	21,669	30,556	52,225
1941:—			
January-June	18,698	20,451	39,149
July	501	447	948
August	169	136	305
September	217	269	486
October	262	361	623
November	89	155	244
December	34	55	89
1942:—			
January	112	61	173
February	22	21	43
March	21	13	34
April	938	998	1,936
May	399	425	824
June	300	337	637
Totals to date	43,431	54,285	97,716

Of those killed in last month's raids, 126 were men, 137 were women and 37 were children under 16.

AMERICAN SURVEY

The Supply of Materials

(From an Industrial Correspondent)

Cleveland, June 27th

MUNITIONS manufacturers are now drawing so heavily upon North America's industrial materials as to force fundamental changes upon both the organisation of supplies and the plans for future expansion. The conversion of plant to war uses has not only been faster than was expected last autumn; it has also led to greater drafts upon raw and partially finished materials than had been counted upon in the enlargement of the material-producing plants themselves. It has, therefore, become necessary to devote to the enlargement of the "choke points" farther back in the industrial process some of the constructional and mechanical resources which it was intended to use for expanding the finishing industries.

Thus the pressure is increased upon the building of blast furnaces and other smelters, and upon the collection of scrap, with some expansion also in the manufacture of ships' plates and the building of marine engines. A considerable amount of plant investment which had been blue-printed is being put on the shelf until the material supply is more definitely assured—though some very large factories to build very large bombers and their equipment are still being erected. It is now conceded, that is, that differences in the rate of speed at which raw material and fabricating

plants could be brought into operation were not fully taken into account last year. The gigantic task of industrial conversion is so far along that the War Production Board, the chief civilian agency of production, is beginning its gradual retirement from supervising the process. The WPB will concentrate from here forward on the growing problems of material supply.

There remain the same difficulties which Britain experiences in the co-ordination of regional agencies of production. They are the greater here, perhaps, because the flow of industrial products is enormously complex, overlapping and cross-crossed. Washington must remain the clearing house in production, whether it is supervised by the Services or by civilian authorities, because no branch organisation in this country can possibly parallel the structure of industry. On the physical side, the difficulties of interior transportation must increase; on the administrative side, there is the rising quantity of "paper work" the industries themselves must do.

Some business houses affect to be in despair about their ability to find and train the office workers needed to carry out their end of the new Production Requirements Plan and its adjunct, the "end-use" or allocation classification system. This system partially takes the place of the priorities method which has been used for the last 18

months or more. Growing difficulties in fitting the flow of materials to the needs of industry brought about a continuing elaboration of the priorities procedure—with the introduction late last year of direct allocations in certain departments. In one crisis last year, the priorities office became so gorged with mail that a staff of clerks was brought in from Chicago mail-order houses to sort it. In the last few weeks, the value of high priorities has been steadily depreciating, like the value of paper currency in a condition of unlimited issue. Where a customer of steel had formerly been able to get it with a priority of A-6 or A-5, recently even the A-1-j to A-1-e priorities had become of little value. Some steel mills were almost entirely occupied on orders bearing the numerous A-1-a priorities. The WPB concluded it was writing cheques for much more money than it had in the bank; the supply of materials had become too tight.

The priorities system having proved to lack precision, it is giving way in the metal industries to the new PRP, known colloquially as "Purp." This will provide a much tighter administration of metals, and, from Washington's point of view, will simplify the task of directing the flow of metals to the most essential industries; trade branches other than those in metals remain for the present under the priorities system. The new system goes far beyond anything Americans have experienced, just as the scarcities are more extreme than anything known here for generations. Reaching as it does from the suppliers to the sub-sub-contractors, it is described by staff members of the WPB as being far more precise than either the British or the German systems. In those countries, too, where the distribution of materials is made to the primary contractors and the redistribution left to them, the "red tape" is asserted to be greater. The new plan is expected to give the WPB the ability to find out quickly and at any time just what supplies are available at any level of the much-stratified industrial structure.

With certain exceptions, companies must submit to the WPB their applications for the materials they will need for the ensuing quarters. These must carry symbols designated by the WPB. For purposes of distinguishing the companies which must use these symbols, industry has been divided both horizontally and vertically. In one group are the transportation, construction and many service industries; in another are all companies using less than \$5,000 worth of metals in a quarter. The symbols are made up in twenty-three groups, with decimals to the first place. They resemble a library book-classification system and can be endlessly extended. Thus both salt and shellac carry the symbol 8.20, and both scales and screens 20.20; but it would be possible to discriminate between them by filling out the second decimal places. In tabulating the applications which come to it, the WPB will be able to link the separate uses of materials into long chains which will show the entire circulation of materials in the existing American economy.

To provide against errors in calculation a "kitty" or cushion of materials is to be set aside—a "bank" of critical materials to be imported by the Economic Warfare Board against new emergencies—an extension of the "stock-pile" plan to still more commodities.

It remains to be seen whether the new system will dry up the "black markets" which have developed in metals. Some makers of goods for civilian use, and even impatient purveyors to the Government, are said to have been able to buy left-over materials from concerns which cannot continue in business because they have run out of certain other essentials.

American Notes

Washington Spokesman

Mr May, chairman of the House Military Affairs Committee, appears to have constituted himself an unofficial spokesman on military matters. Last week, he prophesied that the war would probably end in 1942 and certainly in 1943, basing his statement on private knowledge of American preparations. Later he declared that Germany and Italy would be unable to stand up to the crushing blows which would be dealt by the United States "at a reasonably early date." The reason for Mr May's optimism appears to have been political. There is strong opposition to the drafting of the 18 and 19 year olds, despite the fact that this may be necessary to win the war; and as Mr May innocently pointed out, if the war is over in 1942, there is no reason to press for their induction. Mr May's position at the head of

the House Military Affairs Committee is due to seniority rather than to any military perspicacity; and he has been thoroughly hauled over the coals by the press for his statements. The fact remains, however, that, by virtue of his position, he has access to information denied to the public, and a certain amount of weight unavoidably attaches to what he says. His optimism must be particularly vexatious to the Administration which has made so many efforts to prevent unfounded waves of confidence from sweeping the country. Unfortunately, any suggestion of interference would arouse the greatest resentment. The secrecy which surrounded Molotov's recent visit to Washington was bitterly attacked by some sections of the press as political censorship; it was argued that, had his presence been known, it would have stimulated the demand for a Second Front, and that this was not desired by the Administration; the question of Molotov's personal security hardly received the attention it deserved. It is no consolation that the course of the war appears likely to discredit Mr May's forecasts; he might with advantage note the career of the Cairo spokesman.

Battle for Information

The first trial of strength between the Services and the new Office of War Information has resulted in a substantial curtailment of the powers originally granted to Mr Davis by the President. In the Executive Order, it was specifically stated that all departments of the Government would be required to observe Mr Davis's directives and to furnish him with whatever information he deemed necessary. A clash with the Services was inevitable sooner or later. The test case which Mr Davis selected was the trial by military commission of the eight saboteurs who were landed on Long Island and the Florida coast by German submarine. Mr Davis's argument was that there was strong public interest in the case, and that defence against sabotage was, in part at least, dependent on giving the public adequate information about the danger. His first request was that hand-picked newspapermen should be admitted to the trial, their stories to be subject to military censorship. This was refused. He then asked that a representative of the Office of War Information be admitted. This was also turned down, and when the question was carried to the President, he is reported to have upheld the Service point of view. The most that the Army would grant was that certain newspapermen should be admitted to the courtroom before the trial began; that they should be allowed to see—nay! even to handle—such innocuous pieces of evidence as a pair of rubbed shoes; and that they should be allowed to see—but not to question—the prisoners. At the end of fifteen minutes, they were unceremoniously bundled out. There are obvious security reasons why, in this particular case, extreme precautions are necessary, and Mr Davis's choice of ground for his battle seems ill-advised. But what has angered the press and radio has been Mr Davis's rough handling by the Service Departments. Another test case would probably have shown a similar result, however, for Mr Davis has been unable to enforce his powers over Service communiqués. After the original refusal of the Services to submit to Mr Davis's editorial discretion, a compromise has been reached by which he is privileged to see communiqués before they are issued and to offer suggestions. In case of serious disagreement, the matter is to be referred to the President. Once more it has proved impossible for Mr Roosevelt to make any substantial delegation of his powers. Mr Davis may still be able to prevent some of the extraordinary contradictions and over-optimism which have characterised Service releases in the past, but the first fine careless rapture has been sharply snubbed.

Caribbean Convoys

Colonel Knox, Secretary of the Navy, has announced that coastal convoys have been extended to the Caribbean Sea and that they would be extended to the Gulf of Mexico. In recent weeks the bulk of sinkings have taken place in southern waters, and it was only a matter of time and escorts before the convoy system should be applied there as well as along the Atlantic coast. The unofficial count of United Nations sinkings in the Western Atlantic since January 14th is now 337. Secretary Knox, who has been making a tour of inspection along the Atlantic coast, revealed

that the Navy has been using fishing boats to aid in the campaign against the U-boats; and that it is not waiting for the construction of appropriate escort ships, but is using whatever craft is available. British vessels have been co-operating with the US Navy for some time, and last week the Navy made an appeal for private yachts to report U-boat movements. Certain facts have now been made public in the United States concerning the construction of a captured submarine. It was able to submerge to nearly 600 feet, twice the usual operational limit of depth charges; it was powered with a single diesel engine that burned oil in surface cruising and a mixture of hydrogen and oxygen when submerged; an improved motor used in some U-boats makes possible greater speed in crash-diving. The new German submarines are more manoeuvrable; they have much greater cruising ranges, and carry a heavier torpedo load. Smaller torpedo tubes make possible the standardisation of torpedo manufacture for aircraft, motor torpedo boats and submarines. The formidable improvements in submarine construction explain to some extent the striking successes they have enjoyed in recent months and make more urgent than ever the perfection of measures to defeat the U-boat campaign.

Fighting Farmers

When President Roosevelt signed the Bill by which the Department of Agriculture is permitted to continue spending at the rate of last year's appropriation for the months of July and August in default of its regular appropriation, he urged Congress to act quickly on the deadlocked appropriation bill, so that war needs should not be compromised by discord on the issue of farm prices. Behind this plea lies three months of manoeuvring by the farm bloc to relieve agriculture of the sacrifices called for in the President's anti-inflation programme. So far from accepting the President's request that ceilings for farm prices be set at parity, instead of 110 per cent of parity, as provided in last January's price control law, the vocal farm interests have been campaigning for a revision of the parity formula which would increase agricultural prices even further. One farm spokesman brazenly accused the Government of "continually harassing the people with false alarms, unnecessary threats of inflation, and alarms about shortages." The main issue, however, between the Administration and farm interests has been the Government's right to sell its stocks of grain at less than parity prices for feed purposes. Mr Wickard has testified to the urgency of cheap feed for livestock, in order to assure the expansion of dairy production planned for this year. He pointed out in May that the country was getting only half the hoped-for 7 per cent increase; and that unless weather and pasturage were favourable, the increase might average less than half what was needed. At present the Commodity Credit Corporation holds title to 417 million bushels of grain, including 197 millions of 1941 wheat which were not redeemed under the Government's loan scheme, and 109 million bushels of the 1939 and 1940 crops. The farm bloc has been stimulated to even greater efforts by the decline in prices of agricultural staples which followed the freezing of the cost of living.

The Senate has proved less obdurate than the House in the matter of sales of Government grain. Its version, which carried Mr Wickard's blessing, allowed the sale of 125 millions of wheat feed at 85 per cent of parity, as well as unlimited sales for the manufacture of industrial alcohol and rubber. The House, however, has refused to countenance sales below parity except in the case of deteriorated grain, and inserted a provision forbidding the Commodity Credit Corporation to use its administrative funds to finance the sale of grain below parity. In June, Senator Bankhead, alarmed by the farm price slump, introduced a Bill providing for loans to growers of cotton, wheat and corn at 100 per cent of parity instead of 85 per cent. This should prevent prices from falling below parity at any time. The bargain which seems impending is that the Administration will accept this measure as the price of its right to sell its stocks at 85 per cent of parity—in effect a concealed subsidy to certain farm interests. The price ceiling for tinned fruits has already had to be increased by 15 per cent because of the rise in raw fruit prices, thus increasing the nation's food bill by nearly \$34 millions a year. Unless there is a radical change, which seems unlikely, the Administration must admit to a further defeat at the hands of the farm lobby.

Women in War Industry

The manpower needs of 1942 and 1943 are directing increased attention to the possibilities and problems of employing women in war industries. In May of this year, out of an estimated total of 8,500,000 war workers, 1,000,000 are women. It is thought that this total will reach 4,000,000 by the end of 1943, and that nearly that many will have to be absorbed into civilian jobs. However, premature glamorisation of opportunities for women in war industry has led to disappointment for many in the United States as it did in Britain. The US Employment Service has announced that it has a million and a half women on its books, and that there is little likelihood of immediate employment for them. Of 675,000 war jobs expected to be filled between May and July, it was thought there would only be openings for 79,000 women. Local registrations of women have already taken place in Connecticut and Oregon, however, and may be expected in other centres where acute labour shortages exist. A recent survey by the US Employment Service found that women could perform 80 per cent of the jobs in war industry, although at present they hold only 8.5 per cent of them. A California survey has suggested that women were easier to supervise; that they caused less damage to tools and fewer accidents; and that their employment decreased turnover and increased production. An elaborate survey of the problems and policies of American firms has been published by the Industrial Relations Section of Princeton University of New Jersey under the title "Women in War Industries." Among the points which it makes are the desirability of a 40-hour week for women, and perhaps a six-hour day to keep absenteeism at a low level; and the need for giving women a choice of shift, even when it cuts across seniority privileges. There is support for a three or even four-shift system to keep hours short. The pressure of labour shortages has moved many companies to consider the upgrading of women to jobs where they were unknown before; but there is still insufficient advance planning in the training of women, and much unevenness of training even within the same plant. Few firms pay the "rate for the job" irrespective of the sex of the worker, but it is expected that, as the labour shortage grows, the differential will vanish. Some restrictions which impede the hiring of women are state labour standards; in California women may work between 11 p.m. and 6 a.m., only at the penal rate of time and a half; in other states, length of women's hours is governed by Statute. In general, however, these restrictions are relaxed upon proof from the company that they interfere with war production. One endearing revelation is that many companies insist on hiring only young women because the men accept them more readily if they are "young and pretty." Complete austerity is not yet the rule in war production.

Shorter Notes

The Federal Bureau of Investigation has announced that it has arrested 8,844 enemy aliens, seized 3,000 guns, 200,000 rounds of ammunition, 1,652 sticks of dynamite, 1,645 short-wave radios and 956 swords, bayonets, and dirks. Nevertheless there is some uneasiness about the possibility that other spies besides the eight captured may have been landed from submarines and some surprise that such a substantial round-up of spies and aliens should only be taking place after the United States has been at war for eight months.

Mr Willkie has once more denied that he has any intention of becoming a candidate for the New York State governorship. The Republican nomination will presumably therefore go to Mr Dewey.

Mr Elmer Davis has announced appointments to his Office of War Information. They include Mr M. S. Eisenhower as Director, Mr Gardner Cowles Jr as Assistant Director for Domestic Information, Mr Robert Sherwood as Assistant Director for Overseas Information, and Mr Archibald MacLeish, the poet, as Assistant Director for Policy Development. Mr MacLeish formerly headed the Office of Facts and Figures.

THE WORLD OVERSEAS

New Order in Ostland

(By a Correspondent)

July 6th.

IT is nearly a year since Hitler occupied the Baltic States, the eastern parts of Poland, Soviet White Russia and the Ukraine. No other region in Europe is such a complex of political and economic problems as these territories. At the time of the Nazi occupation, they consisted of two main groups. The first was the Baltic States and the Polish territories which were, a short time before the occupation, incorporated into the Soviet Union and were then adapting themselves to the Soviet system. Behind these territories were stretches of Soviet White Russia, the Ukraine and other provinces of Russia proper, which were all an integral part of the Soviet Union since its creation.

Rosenberg, the head of the newly-created Ministry for the Ostland, seems to have realised that the difficulties in the general structure and in the political aims of the people make it impossible to apply a unified system of administration. The Nazis, however, took advantage of nationalist tendencies to try to bribe the people by some vague promise of independence in exchange for full collaboration.

The first move in the direction of conciliation was made towards the Poles. After the withdrawal of the Soviet forces from the former Polish territories, three Eastern Galician districts, with Lwow as their capital, were incorporated into the General Government of Poland. When the Poles did not show any enthusiasm for the new arrangement and remained as passive as before, a policy of still greater oppression was applied. A greater success was achieved with the extreme Ukrainian nationalists, who expressed their willingness to co-operate in exchange for small favours, in spite of the fact that Hitler had not kept his promises either about the Ukrainian independent State or about cultural and national autonomy. It was sufficient for the Ukrainians to obtain a status which put them on a higher scale than the Poles; for this they collaborated with the Nazis in local administration and policing, and also accepted the Nazi ideology as the basis for education and any cultural activities which they were allowed to carry on in their own language.

The White Russians of the former Polish territories remained aloof from the Nazis, and their status was, therefore, no better than that of the Poles. Hitler's plans for creating a White Russian state with Minsk as its capital were a failure, owing to the resistance of the White Russian population and the absence of quislings.

The Administration of Ostland

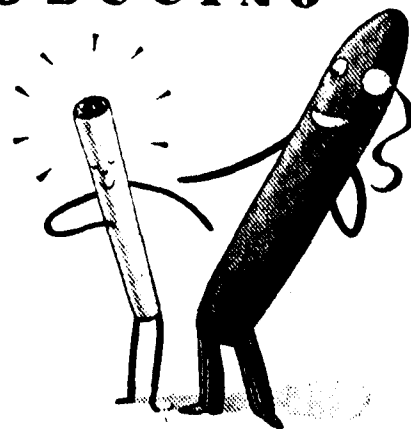
All the other eastern territories occupied by the Germans were organised as the Ostland under the direct administration of Alfred Rosenberg. The boundaries of Ostland are in a state of flux, and changes are still being made. Official German sources estimate that these territories have a population of about 18 millions, with a total area of about 500,000 square kilometres; they include Estonia, Latvia, Lithuania, Soviet White Russia and small parts of the Ukraine (most of the Soviet Ukrainian territories with Kiev are organised as a special Reichskommissariat under Erich Koch). The Reichskommissariat for the Ostland is divided into four General Commissariats: for Lithuania, Latvia, Estonia and White Russia. Each of these is administered by a General-kommissar, responsible directly to the Reichskommissar. Each General Commissariat has its own administrative departments and its own staff of German officials. There is a further sub-division of each General Commissariat into District and City Commissariats. In addition to these administrative units, there are some districts which are exclusively under military administration; into this category fall the territories around Smolensk which are included

in the "Generalbezirk" of White Russia. The military authorities, however, also influence the administration of the whole of Ostland, especially in matters relating to transport and economic organisation and supplies. Authority in all these matters remains with the Economic and Armament Oberkommando of the Wehrmacht.

At the end of March, 1942, Rosenberg decided to grant some autonomy to the three Baltic States, and a national administration was formed in Estonia, Latvia and Lithuania. Estonia obtained a "Landesrat," which consists of five Directorates with Dr. Mäe as President; Latvia obtained "Self-government," which consists of six General Directorates with General Dankers at the head; Lithuania obtained a "General Council," which has seven Councillor-Generals, with General Kubilius at the head. Neither White Russia nor the Soviet Ukraine has obtained any autonomy.

Recent reports show that the policy of the German authorities at present is to push the native administrations into the foreground as much as possible, so that they shall seem to share responsibility for the numerous hardships and restrictions imposed on their countrymen. For this purpose, local self-government was organised in the towns, and communes in the rural districts were re-established. One of the objects of these organisations is to collect

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FROM ALL GOOD TOBACCONISTS AND N.A.A.F.I. CANTEENS

taxes, especially taxes in kind—for instance, grain from the farmers, the collection of which, according to German announcements, has hitherto been very unsatisfactory. Police and internal security remain in German hands; some local policemen are, however, enlisted for service under the Germans.

One means of gaining the confidence of the people of the Baltic States is the incorporation of new territories within the boundaries of the different national General Commissariats. Parts of Polish White Russia, for instance, were recently incorporated into Lithuania; the Russian district of Vilekije Luki was incorporated into Latvia, and the district of Pskov into Estonia. Each such incorporation is followed by celebrations and national holidays.

Economic Infiltration

The infiltration of German capital and of German commercial and industrial companies proceeds with the usual thoroughness. Many new companies have been formed in order to exploit anything worth while. The largest company formed recently is the "Ostland Gesellschaft," with a capital of Rm.250,000, which aims at acquiring the management of all industrial undertakings in Ostland. A special company, the "Ostland Oel Vertriebs Gesellschaft," now has the monopoly of dealing in oil and its by-products. A similar German monopoly was formed for the production and distribution of films. German banks have opened branches, and the whole export trade of these countries is controlled by German companies.

Full Production in Canada

[FROM OUR OTTAWA CORRESPONDENT]

July 1st

SINCE Canada entered the war, its industrial production has expanded greatly both for war and civilian purposes. Though lacking experience in armaments, Canadian industry has equipped substantial Canadian armed forces, filled orders of increasing volume for Britain, the United States, and other United Nations, and maintained a high standard of consumption by the Canadian population. The 1942-43 Budget marks the end of that situation. In his review of the financial tasks of the Treasury, Mr. Isley said: "The conclusion is inescapable that industry will not be able to supply goods for civilian consumption and private investment on the scale of last year." Announcing a programme of taxation which notably increased the income-tax, established the principle of compulsory savings, and raised the excess profits tax to 100 per cent (with a rebate of 20 per cent in the British style), the Minister of Finance said, "Will this mean a reduction in our standard of living? Certainly . . . I am not asking that anyone's standard of living should be reduced below the level of personal efficiency and decency. I am asking that it should be no higher than that level."

Canada has moved well into the zone of full employment. The scope of private investment and civilian production is steadily narrowing. The new Budget reflected this fact, in contrast with previous War Budgets, which regarded financial policy as one of the agencies by which Confederation was brought into full use of its resources and manpower. The stage in which deliberate expansion of credit and currency could be undertaken has long been passed. The evidence of the full employment of physical resources is now unmistakable, in the opinion of the Budget architects. No one any longer denies the scarcity of labour in Canada. There is still scope for the expansion of war production, but chiefly at the expense of other activities.

The dollar value of national production increased by 25 per cent in 1941-42, reaching a level 80 per cent above the pre-war value. The national income level, from a figure of \$4,200 millions in 1938, has risen approximately as follows:

	\$ millions
1939-40:	4,800
1940-41:	5,400
1941-42:	6,400
1942-43:	7,900 (estimated)

A sum greater than the full increase in national income—so the Budget speech affirmed—has gone into expenditure on war. Increased expenditure for private consumption has drawn, as well as upon current production, upon inventory stocks which are now substantially reduced; upon reserves that would have otherwise have gone into repairs



Money into battle

First one front, and then another, leaps into activity and a spotlight is thrown on tanks, ships and aeroplanes in turn . . . On one vital front the battle rages ceaselessly—
The Financial Front

It is now three months since the last Warship Week was held in England and Wales.

I desire to thank most warmly all those who contributed to the success of these Weeks by investing in Savings Bonds, National War Bonds and other Government securities.

But I would urge that investment should not be confined to special Weeks. The need is continuous, and urgent.

1942 is witnessing an immense quickening in the pace of the war and in the rising tide of battle. This must be matched by an intensified effort on the financial front.

I appeal, therefore, to all Directors and Financial Executives, whether in large or small concerns, as well as to private investors, to give consideration again now, and constantly, to the need for systematic investment.

Money invested in war loans on tap is the outward and visible sign, for friends and foes alike, of our determination to keep our financial front sound and unbreakable. It is a direct contribution to victory and to post-war stability.

Survey resources now! Invest now!

Shindler
PRESIDENT,
National Savings Committee.

and replacements, the maintenance of which was hampered by shortages of materials; and upon imports from the United States which, to the extent of \$200,000,000 in 1941-42, were not paid for out of current production. Funds mobilised in recent bond-selling drives have hitherto come in part from idle bank balances, and to some extent indirectly from private bank loans, as well as from current income. The recognition that proceeds from bond sales must in future come largely from current income is implicit in the new war loan policy, which provides for an uninterrupted campaign of bond sales in an attempt to secure continuous diversion of income.

Obviously, sources outside current output will be thinner in the future. Under the Hyde Park agreement, for instance, Canada accepts the principle of paying for deliveries of goods by exporting to the United States. The 1942 Budget was based on the major assumption that war requirements will be drawn from current income. The Budget estimates provided that 52 per cent of expenditures would be met out of revenue:—

1942-43 Budget	
	\$ millions
Total expenditure	3,900
Estimated revenue	2,050
Budgetary deficit	1,850
Refundable taxes	95
Borrowing	1,755

The rate of personal savings to be sought will be sufficient to provide two-thirds of the total that must be borrowed. The rate must be, it is estimated, not less than \$22,500,000 a week in a population of 11,500,000 persons. The rate of personal investment in war funds recently has been around \$12 millions a week.

The Canadian Budget has been increased by \$1,000 millions by the inclusion in it of the sum granted free to the United Kingdom Government. In 1941-42, the United Kingdom's deficiency of Canadian dollars amounted to \$1,100 millions, of which \$700 millions were financed by an interest-free loan. The over-all Budget total of \$3,900 millions represents expenditures in the neighbourhood of 50 per cent of the national income.

Extension of Controls

Since Canadian economic policy, as reflected in the Budget, envisages greater war production at the expense of civilian goods, rather than the absolute expansion upon which previous war budgets were predicated, the new economic controls which have been erected rapidly and extensively may be seen in proper proportion in the national setting. Since prices started to rise sharply in the autumn of 1941, controls have been applied to the entire field of prices, of wages, of supply and manpower. Supply controls have hitherto been restricted to essential war materials and certain commodities affected by the dislocations of the war. Control of manpower, at present still in an experimental stage—and largely negative in that movement of labour to unessential occupations has been restricted—must shortly enter the stage of positive direction. The conscription debate, in this respect, served to educate the public to the need for selective service on the broadest basis.

The new Budget is seen, therefore, primarily as an instrument to aid the closer direction of national programmes—mobilising men and materials. It is equally an instrument to control inflation, complementing, by a direct reduction of purchasing power, the other controls of price, rationing of supplies and direction of manpower. "The offensive," said Mr Ilsley, "must be maintained on all four fronts."

War Economy in Palestine

[FROM A JERUSALEM CORRESPONDENT]

May 1st

AFTER two years of war, Palestine's economy still remained comparatively free. A licensing system was applied to imports and exports, and a number of foodstuffs, chemicals and other essential commodities were declared controlled articles—licences had to be obtained for trading in them, weekly returns of stocks were to be made, and permits granted for purchase. Maximum prices were fixed for wheat, flour, rice, sugar, fats, petrol, pharmaceutical products and so on. A similar system was introduced for building materials and essential engineering goods. Later, fuel, leather, paper, tyres and textiles came under special

control, and Government agencies took over the importation of wheat, flour, sugar, fertilisers, and certain other commodities. However, several stocks escaped registration; most prices were unrestricted; and the regulations left many loopholes, while they were neither very strictly nor uniformly enforced. Industry and agriculture remained comparatively untouched by Government intervention, and attempts made to combat profiteering met with little success.

Nevertheless, this state of affairs was more or less satisfactory up to the conquest of Syria, which had been depleted of stocks during the year of the Vichy regime. Under the influence of this adjacent market, prices began to rise steeply in Palestine too, a tendency which continued with the events in the Far East. The wholesale price index rose from 147 in July, 1941, to 189 in October, 1941, and to 202 in January, 1942, while retail food prices soared during the same period by 51 per cent in the Arab markets and by 38 per cent in the Jewish markets. The Jewish Agency's cost of living index in February, 1942, was 80.3 per cent above the pre-war level.

Government intervention became indispensable, not only in view of the distress caused by the rising prices, but even more owing to the need to save shipping space and to divert it to direct war purposes. According to figures disclosed in December last, Palestine's shipping quota in 1941 was 413,000 tons, less than half of its peace-time requirements. Of this, about one-quarter was needed for the importation of wheat and one-quarter for rice, sugar, oilseeds and other foodstuffs. The situation has since been aggravated. On the other hand, military orders placed with local industry are to be doubled in 1942, and are expected to reach £P 8 million, which amounts to almost the total value of Palestine's industrial output in 1939.

The First Rationing

After a number of tentative measures, the Government decided to secure the local food supply by acquiring the whole of the country's cereal crops. The registration of crops was ordered, and the harvesting, sale, or removal of cereals without permission became a legal offence. The purchase prices, however, have not yet been fixed, and it is understood that standard prices for staple crops for the whole of the Near East are aimed at. The centralised import of cattle and sheep, and Government control of the local cattle trade, are contemplated as preliminary steps to the rationing of meat. In the meantime, two meatless days a week have been introduced. Sugar rationing (1 kg per head monthly) is already in force, and rationing schemes for other foods are in preparation. Despite the difficulties presented by the existence of two peoples with differing standards of life and habits of consumption, no serious complaints have so far been heard, and in some localities the rationing of various foods has been voluntarily introduced.

The control of engineering goods and industrial raw materials has also been extended, and its application is now more rigidly enforced. The fixing of prices on a "cost-plus" basis, formerly applied only to articles imported by the Government and to building materials, has now been extended to engineering supplies and other commodities. A general prohibition of profiteering was promulgated, and municipalities were authorised to fix maximum prices for bread, milk and vegetables. Furthermore, a Price Controller is to be appointed. In the meantime, there has been a big reduction in import and wholesale trade owing to the decline in imports and the activities of the Government's commercial agencies. In 1941, the Government's share in Palestine's civil imports was estimated at about 18 per cent, but it is expected to be much higher this year.

Most industries have also been brought under the scope of Government control by the prohibition of the use of a great variety of engineering and chemical goods without a special permit from the competent authorities. Under the auspices of the War Supply Board, local industry has already placed upon the market standard bread and standard shoes, and the production of standard cloth is envisaged.

A Labour Disputes Ordinance was enacted empowering the District Commissioners to prohibit any interruption of work in industrial enterprises. Should the dispute not be settled, the case may be referred to an arbitration court nominated by the High Commissioner, and representing employers and workers with an impartial chairman. Although the law was opposed by the General Federation of Jewish Labour, the way in which it is being applied has caused general satisfaction. It was strengthened by a general agreement fixing the cost of living allowances.

German Europe

Coal, Power and Steel

SINCE the beginning of the war, Germany has not been able to report any appreciable increase in German coal output; and the volume of coal produced in the Western European countries under German control is also smaller than it was before the war. Monotonously, the reports of German coal-mining companies for 1939, 1940 and 1941 repeat the phrase, "we were able to maintain output on the level of the previous year." The companies mining lignite do, however, report a steady increase in production. In the third year of the last war, Germany's coal output had fallen to 88 per cent of the 1913 output, but lignite production had increased to 110 per cent of 1913. There is no doubt that in this war Germany's demand for coal is increasing at a greater rate than in the last war. Synthetic products require great quantities of coal for their manufacture, and an enormous volume of electric power. German coal and coke are necessary for industries in Italy and the occupied countries of Western Europe. But, so far, there is no sign that Germany's war industry has experienced any serious shortage of coal. Ruthless rationing of household consumption has been practised since October, 1939. The shortage of miners has been partly made up by longer working hours, greater mechanisation, and the concentration of output on the most productive pits. But the shortage of skilled labour remains the chief obstacle to any appreciable expansion in coal output.

At the moment, fuel economies in industry and improvements in the production and use of by-products are the main elements in German policy. The sinking of new shafts takes three to five years. Mechanisation and concentration have probably reached their limit. It is doubtful whether production can in future be maintained as it has been so far.

The annual reports of the leading electric power companies give a different picture. Each year, these companies report substantial increases in output—often more than 15 per cent. There are hardly any indications that generating capacity has been expanded. Greater output has been achieved almost exclusively by extending the grid system, and by linking the power stations of the Reich with those in the occupied territories. The *Rheinisch-Westfälische Elektrizitäts Werke*, for example, cover 250 power stations by the grid system. Steam plants and water power stations have been linked up, and some systems employ wind turbines. Every available power station has been brought back into operation in preference to building new power plants. In 1940, the situation seemed so favourable that the price of electric power was reduced; but, at the end of 1941, the price commissar was forced to prohibit any further cuts. Economy in household consumption has been strictly enforced, and the use of electric current for heating rooms prohibited.

The reports for 1941 are less optimistic than those for 1940. Mostly, the non-committal phrase, "we were able to supply all demands" is used. Figures show that the increase in output over the year was usually well below 10 per cent. The peak output of electricity seems to have been reached. The construction of new plants takes several years, and planning bodies in Germany seem to have neglected coal and electricity. Industrial federations have frequently complained that the Government's demands, arising out of the armament programmes, failed to take into account that adequate expansion in these basic industries requires unusually long periods.

Germany's iron and steel industry, which is closely linked to the coal mining industry by integration, has also reached its record output. The theoretical capacity of German Europe's and Italy's steel industry is roughly 50 million tons. The supply of iron ore and manganese ore is adequate. Swedish, Lorraine and Russian high grade ore can be used; but Goering's steel plan, conceived in 1936, enforces the use of low-grade German iron ore in a considerable part of the blast-furnace capacity. Transport difficulties are another cause of the sparing use of foreign mined iron ore.

In 1939 and 1940, the reports of the iron and steel concerns emphasised that output was still rising. But the reports for 1941 point out that production was maintained only on the level of the previous year. In the third year of the last war, Germany's pig-iron output had fallen to 70 per cent of 1913. During the first two years of this war, new

capacity was still coming into operation. But steel consumption is far greater than in 1914-18. Enormous quantities of steel have been used in building fortifications along the Atlantic coast, and there is no doubt that the steel supply situation has been strained since the beginning of this year. Stocks held by the manufacturing industry have been called up for redistribution, and strict economies have been enforced. Coke output seems to constitute the most important difficulty for maintaining the record output of pig iron. Technically, the basic industries of German Europe have reached their peak output. The recent reforms in organisation were, therefore, imperative for maintaining output.

Joint-Stock Companies.—During 1941, the total number of joint-stock companies rose from 5,397 to 5,418. Total nominal capital increased during the same period from Rm 21,490 millions to Rm 24,900 millions. There is a noticeable increase in the average capital of new companies founded in 1941. The average nominal capital of 40 new companies founded in 1941 amounted to Rm 26 millions against an average of Rm 14.6 millions for 30 companies founded in 1940. The actual rise in nominal capital, accounted for by new companies and actual capital increases, amounted to only Rm 1,800 millions. Under the dividend-stop, companies got facilities for capital adjustments for the purpose of reducing share quotations and nominal dividends, and these adjustments increased total capital by another Rm 1,230 millions, making an increase of Rm 3,410 millions in all. Adjustments of nominal capital are still going on. At the end of May, 883 companies had adjusted their total capital from Rm 4,946 millions to Rm 7,853 millions; and the dividends declared by these companies are now, of course, well below the 6 per cent limit. The number of companies which were wound up during 1941 amounted to 226 against 185 in 1940; the concentration of capital is clearly shown.

War Industries.—The tightening of Germany's Essential Works Order has created some confusion among employers. The Labour Dictator has been forced to define what war industries are. Besides the factories declared war factories by the labour exchanges, all the basic industries—railway, shipping and postal services—are war industries. In these industries, employers must inform workers about the Essential Works Order, and workers no longer needed must at once be notified to the labour exchanges.

Cellwool Cheques.—The system of fixed quotas—that is the allocation of raw materials to manufacturers by Reich Boards—is slowly being replaced by a cheque system. A "cellwool cheque" has been introduced. Manufacturers are supplied with cheques denoting their individual quota of cellwool supplies, and can, in theory, cash this cheque at any cellwool factory. With certain limitations, manufacturers have thus been given a free choice of materials, and the Chemical Fibre Co-operative, which introduced this system of cheques, is of the opinion that it is the first step back to free competition.

Clothing Repairs.—For a long time, small-scale tailors have been overloaded with orders for repairing clothing. A system of priorities could not increase the insufficient facilities for mending. The large-scale clothing industry had, therefore, to organise special repair shops. The first shop has been established in Munich, and other big towns will follow suit. The clothing industry and clothes retailers will collaborate. Retailers will collect orders for repairing by machinery and will dispatch the goods to the new shops. German papers leave no doubt that there will be no lack of orders.

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It is regretted that owing to enemy action, Shirreffs, Ludgate Hill, is out of service.

Russia at War

Second War Harvest

THE peasants have now started the second war harvest. Last year's harvesting was a race against time. The lightning advance of the German armies cast a shadow upon the fields of the Ukraine and of Western Russia; and towards the end of autumn more than 40 million hectares of cultivated land—about 30 per cent of the country's sown area—was occupied by the invader. But a substantial part of last year's harvesting was done before the occupation, and a considerable part of the crops was carried eastwards in time. This year, the problem is again to bring in the harvest as speedily as possible and to deny it to the Germans in the areas threatened by their advance.

True, the advance has this time been less rapid, and so far it has been confined mainly to the southern Don sector. This should leave more time for completing the work in the fields. On the other hand, the distances have now become shorter. The fertile land on the Don has come under fire before the grain could have ripened. The crops will probably be lost like those of Eastern Poland and Bessarabia last year. The Ukraine was then the "second line" of Soviet agriculture; now the "second line" has shifted to the Volga region and to the Northern Caucasus, the next grain centres of the USSR, which used to produce great surpluses of rye and wheat.

It is on the surplus of the Volga region that the food supplies to the industrial centres in the Urals and in Central Asia largely depend; and the agriculture of the Northern Caucasus has been the main food-base for the Transcaucasus. The Kursk and Orel regions, with more than five million hectares of grain-growing land, used to supply Moscow and the adjacent industrial province with bread. Now this region will have to rely almost entirely on stocks.

A decree of the Council of the People's Commissars on July 12th, fixed time limits for harvesting and for grain deliveries to the State in various republics and regions. The usual intervals between harvesting the crops and delivering it to the state have been abolished. From now on, supplies from the collective and State farms are to arrive at the collection points from the first day of harvesting. The amount of deliveries has been increased; and a special Grain Fund for the Red Army has been established to which the 1942 harvest must contribute two and a quarter million tons. Press comments on the measures recently taken have lifted the veil from last year's efforts in the interior of Russia. It is said that

in a number of regions, territories and republics last year the harvesting was drawn out too long and this caused serious losses in crops, violation of the established times for grain delivery and deterioration of the quality of grain delivered to the collection points.

The collective farms have now been warned not to repeat last year's errors.

Emphasis was laid during the sowing on the expansion of the sown acreage in the Volga regions and in Siberia. The acreage of the extra cultivated land has not been disclosed. Some figures suggest that it is between five and seven million acres. This is a remarkable achievement. But, at the same time, it is only a fraction of the lost area. Any estimate of the prospects of Russian grain output should take these facts into account. The population that has to be fed by Soviet agriculture has not diminished to the same extent as has the sown area. Soviet sources have mentioned "tens of millions" of evacuees shifted to the eastern territories. A part of these consists of Ukrainian and Russian peasants who have been put to farming work in Asiatic reception areas. But a high proportion of the evacuees are industrial workers who have to be fed from a diminished agricultural output. And the problem of providing the evacuees with foodstuffs from local resources has been one of the major preoccupations of the authorities.

Apart from this, there is the difficult problem of mechanisation in wartime conditions. A partial description of the position was given in *The Economist* on June 13, 1942. It was pointed out that a large part of this year's agricultural work would have to be done, not by the mechanised technique of collective farming, but by the more primitive technique which was once typical of the old small-sized Russian farming. The partial switch over from tractor to horse and from mechanical plough and harvesting machinery to primi-

tive agricultural implements has since been corroborated by several official statements. *Pravda* wrote on July 2nd that this year a large area will have to be harvested by hand. Therefore, it is important to get scythes and sickles ready right now.

But scythes and sickles are the private tools of the *Koikhoznik* who uses them to cultivate his small private plot; they do not belong to the *Kolkhoz*. *Pravda* therefore asks the peasants

not to refuse the collective farms the use of these for bringing in the collective harvest.

The peculiar war circumstances thus make work in collective fields partly dependent on the private tools of farmers—a development which may have important economic and social implications.

Appeals urging the peasants not to rely on tractors, but to use draught animals (horses and oxen) wherever possible, are being repeated almost daily. It is difficult to say to what an extent the tractor can be replaced in this way. But the magnitude of the problem is illustrated by the fact that, in 1939, about 70 per cent of the traction power employed in Soviet agriculture was mechanical and only 30 per cent was provided by animals. The war has also caused a drain, not only on the technical equipment and staff of the collective farms, but also on their horses.

The main difficulty seems to be the unsatisfactory state of repair of agricultural machinery, which is due to the call up of technical staff. Some days ago *Pravda* wrote:

Throughout the country, there are not a few districts which have launched work on repairs to combines in a fine spirit. The work is being done best of all in the Krasnodar and Ordjonikidze territory. The programme for combine repairs was completed ahead of schedule in Turkmenia. Many districts, however, are still tarrying and lagging behind. On June 25th, in the Kuibyshev region, only 6 per cent of the capital repairs on harvesting machinery had been carried out and only 11 per cent of the current repairs; in the Frunze region, only 3 per cent of the capital repairs and 10 per cent of current repairs. There has been an intolerable delay in repairing combines in the Saratov, Chelyabinsk and Chkalov regions.

The regions which "lag behind" are among the decisive grain-producing provinces on the Volga.

The Soviet Government is making a mighty effort to overcome all these difficulties. No doubt much of this effort is being rewarded with success. But a substantial deficit in this year's harvest seems to be unavoidable. To what extent the immediate food position will be affected depends on the size of the war stock of grain accumulated in pre-war years. Some expert estimates put that stock as high as 7 milliard pood, or 112 million tons—an amount equal to the annual grain output of the USSR. It is probable, however, that this estimate errs on the optimistic side. Recent reports from Russia suggest some deterioration of the food position in industrial towns.

Textiles.—Textiles, cotton and silk have shown an enormous increase in production. M. Akimov, the commissar for the textile industries, stated that, in June, the cotton industry turned out 20 per cent more than in May; the woollen industry had shown an increase of 60 per cent; and the silk industry had increased its output by 65 per cent. The high percentage of increase has been possible because there has been no shortage of raw material in these branches. The cultivation of cotton and silk has been concentrated mainly in the Asiatic republic of Tadjikistan and Uzbekistan; and thus no losses have been caused by the war. This year's silk harvest has been excellent; and deliveries to the State have been made ahead of schedule. The prospects for Tadjikistan's cotton crops are also said to be exceptionally favourable.

Vitamin Production.—The production of vitamin concentrates is perhaps the youngest branch of Soviet industry. It has actually been developed during the war; and the Government has done much to further its rapid growth. It is now reported from Frunze that a Vitamin C factory has been constructed there, the output of which is expected to be twice as big as the whole Soviet output of Vitamin C concentrates before the war. The concentrate is produced from green walnuts, which are available in inexhaustible quantities in Kirghizia's rich forests.

THE BUSINESS WORLD

An Engineers' War

AT bottom, the war is a war of engineers. It will be won by the side that can place in the field the most effective compound of quantity and quality in weapons. The importance of quality was illustrated in the Battle of Britain, when the numerically superior *Luftwaffe* was defeated by the technical superiority of the RAF. The reverses suffered last month by the Army of the Nile can be traced in part to the superior fire-power of Rommel's equipment. True, quantity and quality are only too often available as alternatives; a little more of the one means a little less of the other. As Mr Lyttelton pointed out in the House of Commons last Tuesday, the difficulty caused by the "pull" between mass production and flexibility

is the constant production problem with which we are faced, because mass production and flexibility are opposite terms. One is the antithesis of the other. The strategist would like to feel that in any theatre of war he is going to have the right weapon available at once, and the tactician requires that tactical lessons should be translated into steel in a few minutes. But the production engineer requires something different. He requires to have types very steady if possible, and one of the reasons why this is particularly so in this country is that we are using diluted labour to an extent that has never been attempted before. If you dilute skilled labour it means more elaborate tooling of the factory, and again, elaborate tooling is the enemy of flexibility.

At the present stage of British mobilisation there is still scope for more and better weapons. The rate of improvement depends very largely on the opportunity and ability of the scientist, the engineer and the manager to put the skill at their disposal to better use and on the degree of fusion between "military plans and thought and production plans and thought." There is still room in Britain for that "extraordinary ingenuity and restlessness of mind" which Mr Lyttelton found among American engineers.

Britain's resources are now mobilised in the sense that the reserve of labour among those in non-essential or over-staffed occupations is now almost exhausted. Civilian production has already been cut virtually to the bone. Nevertheless, as Mr Lyttelton pointed out last Tuesday, there is still scope for further expansion in production by the more efficient utilisation of existing resources. This view has found detailed support in a memorandum on how to increase production without increasing facilities, recently presented to the Minister of Production by the Institution of Production Engineers. The engineers responsible for this memorandum suggest a fourfold approach to the problem: a more intensive use of machinery; the simplification of the design of weapons; a reduction in the number of types in production and increased specialisation; an improvement in manufacturing methods by making fuller use of the knowledge of production engineers. The first of these four proposals is largely a matter of organisation; the last three fall within the province of the engineer.

In the view of the IPE, the scarcity of labour is now at least as marked as the scarcity of machine tools. On a superficial view, this state of affairs suggests that the limit of "machine activity" has been reached. After examination, however, the IPE reached the conclusion that the labour shortage is not so much a general shortage as a scarcity for shift working. Few factories are short of labour for day shifts, but there is apparently some unwillingness, encouraged by the present administration of the Essential Work Order, to do night work. The majority of engineering machine shops are working a nominal two-shift system of, say, fifty-five hours per shift week; but many shops are still working only a day shift, and there are some new factories that are unable to work even full day shifts. Three shift or staggered shift systems appear to be the exception. A better distribution of available labour among day and night shifts seems called for. In the view of the IPE, this could be brought about by allocating a larger proportion of

whole-time workers to night shifts and by filling the resulting vacancies on day shifts by part-time workers, who are still available in considerable numbers. The adoption of this solution would undoubtedly lead to a fuller use of machinery and an increase in output.

Apart from the loss of machine hours due to the maldistribution of labour between shifts, output is also lost by the scanty use of the system of grouping small firms, many of which are comparatively inefficient. Some two-thirds of the total labour engaged in engineering is employed in 4 per cent of the total number of firms, but two-thirds of all the firms employ less than fifty persons. Owing to the Government's policy of paying more attention to the limitation of profits than to the limitation of costs, the multitude of small firms have no incentive to grouping. In order to increase the over-all efficiency of small firms, the IPE suggests an extension of the powers of district clearing centres, or, better still, the formation of district production groups responsible for the allocation of work according to productive capacity. This is one of the problems which can be tackled best by the reorganised regional boards.

The extent to which costs of production can be reduced and resources economised by simplification of designs is

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AFRICA, SOUTH-WEST AFRICA, SOUTHERN AND
NORTHERN RHODESIA, NYASALAND, KENYA, UGANDA,
TANGANYIKA, ZANZIBAR, AND PORTUGUESE EAST
AFRICA.

illustrated in the IPE memorandum by some impressive examples:—

COST OF MECHANISMS BEFORE AND AFTER SIMPLIFICATION OF DESIGN

(1) BREN GUN PART

Original cost per 100:	£	s.	d.	Cost per 100 after re-design as a simplified pressing:	£	s.	d.
Material	4	7	6	Material	1	10	0
Man/machine hours	234	7	6	Man/machine hours	10	0	0
	238	15	0		11	10	0

This case represents a saving of 797,000 machine hours, equivalent to £204,975 for an order for 90,000.

(2) AIRCRAFT PART

Original cost per 100:	£	s.	d.	Cost per 100 after re-design all as one unit:	£	s.	d.
Material	1	0	2	Material	14	2	
Man/machine hours	4	4	10	Man/machine hours	2	16	0
	5	5	0		3	10	2

This case represents a saving of 5,407 machine hours, equivalent to £1,346 for an order for 95,000. Total saving of material and machine hours over a quantity of 95,000 is £1,631.

(3) PERCUSSION FUSE PART

Original cost per 100:	£	s.	d.	Cost per 100 after re-design and die-casting:	£	s.	d.
Material	2	6		Material	1	7	
Man/machine hours	12	6		Man/machine hours	3	10	
	15	0			5	5	

This case represents a saving of 77,480 machine hours, equivalent to £17,334, for an order of 4,000,000. Total saving of material and machine hours over a quantity of 4,000,000 is £19,180.

(4) TWO-POUNDER GUN MOUNTING PART

Original cost per 100:	£	s.	d.	Cost per 100 after re-design:	£	s.	d.
Material	250	0	0	Material	68	6	8
Man/machine hours	850	0	0	Man/machine hours	180	16	8
	1,100	0	0		249	3	4

Apart from saving in machine hours and cost, this re-design has also eliminated the use of high-grade alloy steel.

(5) SIX-POUNDER BREACH MECHANISM PART

Original cost per 100:	£	s.	d.	Cost per 100 after re-design:	£	s.	d.
Material	1	2	6	Material	12	6	
Man/machine hours	15	12	6	Man/machine hours	3	2	6
	16	15	0		3	15	0

Practically the whole of the machine hours saved were milling machine hours.

(6) STANDARD AIRFRAME PART

Old Method— Made from bar per 1,000:	£	s.	d.	Old Method— Made from sheet per 1,000:	£	s.	d.
Material	4	1	9	Material	2	17	11
Labour	52	9	10	Labour	15	11	0
	56	11	7		18	8	11

This case represents a saving of 13,100 machine hours, equivalent to £3,812 10s. over an order for 100,000.

Similarly striking instances were quoted by Mr Lyttelton last Tuesday—in his view, the United States is ahead of Britain in simplification of design and in the substitution of materials for those in scarce supply:—

An important machine-gun component used to take 2½ man-hours to manufacture, and by ingenious redesign this has been reduced to six minutes, with great economy in material. The money value saved amounts to £220,000 for 100,000 machine-guns. The Bofors platform, which was a foreign design, took 1,050 man-hours to manufacture, but, redesigned, it now takes 230. The two-pounder barrel originally took

193 man-hours, and the far larger six-pounder now, as a result of redesign and so forth, requires only 72 man-hours. The Sten gun, which is by far the cheapest and most rapidly produced weapon of conventional design, is another instance of the ingenuity which has been displayed. Components of aero engines taking 8½ hours now take three hours. In a standard air frame, material has been reduced by 25 per cent and time by 75 per cent.

Not every mechanism offers similar scope for a reduction in the consumption of materials and in machine hours. Nevertheless, a review of existing designs and specifications would probably reveal some waste of resources, either because they embody unnecessary elaborations and refinements or because they could be adapted to simpler methods of production. True, changes in design frequently have the disadvantage of affecting interchangeability, a consideration that cannot be overlooked. But this disadvantage is often outweighed by the economies that can be secured by simplification. In the view of the IPE, the Supply Ministries should continuously explore the possibilities of modifying mechanisms in large-scale production, and firms manufacturing similar products might form product groups for the interchange of technical information and ideas.

The memorandum also draws attention to the economies that can be secured by standardisation and by a higher degree of specialisation. A good deal has already been achieved by the standardisation of consumption goods, such as building materials and hollowware, a policy which is to be extended under the utility schemes. The IPE holds that the standardisation of war equipment offers a fruitful field for saving machine hours; extreme examples are the persistence of the three Supply Departments in adhering to separate designs for products serving identical purposes. The reduction in the number of types also facilitates interchangeability and provides an insurance against the destruction of production facilities in air raids. In addition to the introduction of a greater measure of standardisation, the memorandum suggests that resources would be saved by a reduction in the variety of products produced by individual firms. True, specialisation has been deliberately avoided as an insurance against the consequences of air raids. It is suggested, however, that the safety-first policy of spreading contracts among a multitude of firms has been carried too far, and that the premium represented by loss of efficiency is too high.

Finally, the IPE emphasises the scope for improvement in methods of production. Large contractors employ highly skilled production engineers, but there are many small concerns which lack the advantages of expert advice. While this deficiency could be remedied by the formation of products groups, the IPE suggests the utilisation of the experience of its members who, for this purpose, would be prepared to offer voluntary assistance to small firms in their district. In view of the shortage of experienced production engineers, methods designed to "spread" their skill might yield valuable results.

The ideas of the IPE are not new; the greater part of its suggestions have long been part and parcel of the policy of the Supply Departments, and are being translated into practice by the Minister of Production. The real shortcomings are to be found in the pace of their application. It is a question of timing and tempo. The need is for what one speaker in the Commons on Tuesday called "absolute speed."

tions of the general licence releasing Swiss dollars from the operation of the freezing order restrict the purposes for which they may be used. In these circumstances, Switzerland has little incentive either to increase its holdings of gold overseas, or to undertake the expense of shifting gold home across the Atlantic. Finally, the creation of purchasing power within Switzerland, which would form the counterpart to any purchases of exchange, would tend to aggravate inflationary tendencies. Although the balance of financial transactions would appear to be favourable, therefore, Swiss gold and exchange holdings together have actually declined slightly over the past year to 3,585 million Swiss francs on June 30th. Ever since the US freezing order, however, there has been a steady conversion into gold of foreign currency holdings. From a record level of 1,308 million Swiss francs, these had declined to 679 million Swiss francs by the end of 1941, while at the end of June this item stood no higher than 143 million Swiss francs.

Further Contraction in Credit

The whole of this week's £35 millions TDR issue has represented fresh money; nor will there be any maturities for five weeks to come. With the credit base still inflated by the end of June operations and the current deficit running at a high level, however, floating debt borrowing on this scale was not expected to disturb the prevailing ease of credit. Indeed, expectations of a keen demand for bills were reflected in a jump in Treasury bill applications at last Friday's tender to £157.7 millions, the highest figure for six months. In the event, the outlet for bills has been decidedly restricted, possibly as a result of the sudden rush of National War Bond subscriptions in anticipation of an early withdrawal of the issue. The previous demand for October maturities dried up completely. Even so, the market has had no difficulty in financing its 33 per cent Treasury bill quota, since the banks have been well supplied with funds. The drop of £25.7 millions in bankers deposits shown by the Bank return still leaves these at the comfortable level of over £120 millions. Apart from the further decline of £21.6 millions in Government Securities, the credit base has been reduced also by a drop of £5.2 millions in the reserve, reflecting further heavy withdrawals which raise the Note circulation to a fresh record level of £812.6 millions.

Coupon Banking Speeded Up

Coupon banking has now had time to get into its stride, and the scheme is operating with great smoothness. Indeed, it would hardly be an exaggeration to say that the system is working perfectly, for the one difficulty of any importance that has arisen since its introduction has been the reluctance of multiple stores to allow their branch shops to operate coupon accounts. That the scheme is not making unreasonable demands on bank staffs is evident from this week's announcement that the banks are now prepared, where possible, to confirm vouchers on the day of presentation. Originally it was stated definitely that confirmed vouchers would not be available until the following day. In practice, most bank officials have found that it is less trouble to confirm vouchers actually on presentation than to require the customer to call again. The concession, however, is naturally subject to the exigencies of current work, and vouchers presented at a peak period for normal banking work would naturally be held over until the following day. No solution in principle appears to have been found for the multiple shop difficulty. Experience under ordinary banking law, which the courts interpret increasingly to the disadvantage of the banks, has made the latter chary of introducing customs which are sooner or later construed as obligations, and they therefore refuse to accept

any instructions restricting drawing powers on coupon accounts. On the other hand, it would be difficult to work out a satisfactory basis for fidelity bonds covering dealings in coupons.

Frozen Reichsmark Balances

Information about the amount of frozen Reichsmark clearing balances and of other frozen Central Bank balances with the Reichsbank is rather scant, as for obvious reasons the German authorities are not anxious to draw attention to the situation. Nevertheless, from time to time the returns or reports of Continental Central Banks contain some figures indicating the rising trend of such balances. The figure of foreign exchange reserves in the weekly returns of the Netherlands Bank and other German-controlled Central Banks may safely be regarded as a reliable indication of accumulating Reichsmark claims, since it is unlikely that Germany would allow any of the conquered countries to run up a big export surplus in relation to any country other than the Reich. The annual report of the Danish National Bank shows that foreign balances have more than doubled during 1941, their increase being Kr. 460 millions. This increase is almost entirely accounted for by the changes in the clearing accounts. During the past year the National Bank had to pay out to Danish exporters Kr. 858 millions on account of goods exported under clearing agreements—mostly to Germany—while the amount paid into clearing accounts by Danish importers was only Kr. 418 millions. The balance of Kr. 440 millions is represented by frozen clearing balances, for the most part by a frozen Reichsmark clearing balance. The newly established Serbian National Bank has already managed to accumulate a frozen clearing balance of Rm. 70 millions, although against this there is a German counterclaim arising from the liquidation of the liabilities of the Yugoslav National Bank. The rapid increase in the note issue of the Serbian National Bank—during the past twelve months it has risen by nearly 50 per cent—was partly due to the financing of this frozen clearing balance. In Hungary, the financing of the export surplus to Germany is arranged in a different way. The Hungarian National Bank advances pengös to German banks, by means of which the latter settle those claims of Hungarian exporters not covered by the amounts the National Bank collects from Hungarian importers of German goods. On August 31, 1941, this item in the return of the National Bank stood at 71.7 million pengös. By the end of 1941 it had risen to 139.6 million pengös, and on June 29, 1942, it was as high as 376.8 million pengös. The arrangement also covers Italy, but it is known that up to the end of last year that country had not made any use of it. The chances are that this year, too, it was only Germany that accumulated frozen debts to Hungary in that form.

Investment

Funds Assume the Lead

The increase in stock market turnover, and, to a large extent, the rise in prices, continued steadily until the middle of Tuesday morning, but with the weight of the rise shifting gradually away from equities and towards gilt-edged securities. The facts that, so far, Rommel has suffered no definite reverse, that the Russian armies have been forced to yield ground, that Japan continues to achieve some success against China, and, above all, that the grave loss at sea continues, all threaten a prolongation of the war. Such a development would favour fixed interest stocks against equities, long, or at least medium long, dated stocks against those of short life, and all equities, and stock in total or partial default, which promise to benefit under war conditions as against those whose chief attraction is for recovery in a better post-war world. Speaking very broadly, movements in prices have conformed to this set-up, but with a tendency for business to fall away in the last day or two, and for the rise in prices to disappear as turnover declines. So far, however, actual falls have been few and of no great moment. A further factor which may have an influence on the Funds is the renewed talk of a new offer of the shorter dated "tap" issue. As is usual in these circumstances, the money

market is talking its book by putting forward the suggestion of a really short bond, possibly 1944-46, at 2 per cent. The impression of the problem from the outside is that the Treasury has already quite sufficient really short dated stock to deal with immediately after, or possibly during, the war, and that, if any change is made, it will be in the direction of further lengthening the life of a 2½ per cent bond, or possibly of creating one bearing 2½ per cent—there is little objection to small fractions in the rate so far as money market stocks are concerned. There is no need to take any action much before August 1st, the next interest date, and, if military developments continue no more favourable than of late, the atmosphere may be such as to enable the authorities still further to reduce the rate they pay on medium dated stock, with some consequent strengthening of the whole fixed interest position.

Bank and Discount Dividends

As was generally expected, the interim dividends of the leading English banks and discount companies show no change from those of a year ago. To this, there is one exception in that, as announced at the annual meeting, the board of the National Discount Company has decided to

Finance and Banking

Strength of Swiss Exchange

Wide fluctuations have recently taken place in the New York rate for "non-commercial" Swiss francs, as distinct from the pegged rate of 23.30 for francs to be used for commercial and other specified purposes mutually agreed between the Swiss and American authorities. At one time in May, the non-commercial rate touched a peak of 36.20, or a premium of more than 55 per cent over the pegged rate. By the end of the month, there had been a relapse to 29.00, but even this represents a premium of 24 per cent, indicating the extreme scarcity of offerings (presumably from Swiss nationals in the United States). Supplies at the pegged rate, on the other hand, are severely restricted by the policy of the Swiss authorities, who in principle are unwilling to buy dollars. This attitude is understandable on a variety of grounds. Physical imports into Switzerland are naturally limited under the blockade, while the condi-

make the two instalments of its total distribution more nearly equal. There is, therefore, every reason to suppose that the rise of two points in the interim will be counteracted by a fall of equal amount in the final. The lack of any change in the payments does not necessarily mean that there has been no alteration in the gross income of either group. Indeed, it is highly probable that the banks at least have secured an increase. The June figures are not yet available for all banks, but there was an average rise in deposits in the first five months of the year, against the

Name and Shares	1941		1942		Price, Ex.-Div.		Yield, July 15, 1942
	Interim	Year's Total	Interim	Year's Total	July 16, 1941	July 15, 1942	
Banks.							
Barclays "B" £1	7	14	7	14	67.6	73.6	3 6 2
Lloyds £5 (£1 pd.)	6	12	6	12	49	53.9	4 9 3
Midland £12 (£2 pd.)	8	16	8	16	165	181.10	4 7 11
Nat. Prov. "B" £5 (£1 pd.)	7	14	7	14	59.6	66.6	4 10 2
Westminster £4 (£1 pd.)	9	18	9	18	75.6	79.7	4 10 5
District "A" £5 (£1 pd.)	7	14	7	14	150	170	4 9 4
Martins £20 (£2 pd.)	7	14	7	14	150	170	4 8 3
Wm. Deacons "A" £5 (£1 pd.)	6	12	6	12	...	...	...
Discount Companies.							
Alexanders £2 (£1 pd.)	7	14	7	14	63.9	69.6	5 0 9
National "B" £7 (£1 pd.)	9	18	9	18	237.6	263.9	4 18 7
Union Discount £1	3	6	3	6	43.9	47	4 5 1

corresponding period of 1941, of some 12½ per cent, or £340,000,000. There was little, if any, alteration in the rates paid on deposits or received on earning assets. Treasury Deposit Receipt holdings have expanded at the expense, in part, of call money and bills, which yield, on the whole, a slightly lower rate, while investments are up by some £216,000,000, and advances are down by about one-third of that amount. The margin between the earnings on the latter and that on the former is probably substantial, but on balance there can scarcely fail to be a larger profit on the

increased amount. The position of the discount houses is less favourable, for they had to curtail their bond holdings, and may not have been able to replace them in full. Despite closing of branches, the banks have had increased expenses for staff, owing largely to the practice of paying bank officers who are in the Forces. In any case, there is reason to suppose that 1941 profits were not far short of the EPT standard, so that there is no prospect whatever of further increases in dividends. The fact that, despite this limitation, all prices have risen substantially reflects the general trend of both fixed interest and equity stocks. It will be seen from the accompanying table that the general yield on the partly paid shares is around 4½ per cent for the banks and 1 point higher for the discount companies.

The Half-Year's Capital Issues

The tables printed below, which analyse total capital issues in the first half-year of 1942, show a slackening in the Government absorption of the resources of the new issue market, which has been growing since the outbreak of war. Although the totals of both Government and non-Government issues in the latest half-year, at £829,218,400 and £6,877,000, are greater than those in the first half-year of 1941, at £765,970,500 and £3,309,000 respectively, there has been in the latest quarter a relative decline in Government in favour of non-government demands. Thus the total of Government borrowings, made up of Savings Certificates, 3 per cent Defence Bonds, 2½ per cent National War Bonds, and 3 per cent Savings Bonds, declined from £493,119,997 in the first quarter to £336,098,385 in the second quarter. The total of non-government issues rose in the same period from £2,134,300 to £4,742,700. The increase in the latter totals does not, of course, represent exclusively the subscription of new money, but in many cases the offer to the public of capital already authorised. The decline in the total of Government borrowing, a decline which has occurred in each of the separate issues, but most strikingly in the reduction of subscriptions to 2½ per cent National War Bonds from £175,256,085 in the first quarter to £94,217,769 in the second quarter, is due to Canadian assistance. Of the non-government issues, all of which were offered by permission to deal, the largest was made by Powell Duffryn Steam Coal to a nominal amount of £1,832,873, which accounts for the jump in the total of the iron, coal and steel group. Lancashire Cotton Corporation issued £240,045 ordinary stock, South Essex Waterworks £100,000 3½ per cent debenture stock and Allied Bakeries £185,046 5½ per cent cumulative preference capital. It is probable that the time is approaching when certain sections of industry may begin to suffer from a moderate capital hunger, but at this stage in the war, the question is, of course, one of the availability of real factors of production rather than the monetary capital.

TABLE I—TOTAL BORROWING (MILLION £)

First Half of Each Year	British		Others	Total Home	Empire	Foreign	Total Issues	Indices	
	Government	*Home Corporations							
By Direct Public Offer (Old Basis)									1928 - 100
1928	85.2	10.0	89.3	184.5	40.2	20.1	244.8	100	
1940	502.7	Nil	0.8	503.5	0.1	Nil	503.6	206	
1941	766.0	Nil	0.1	766.1	2.5	Nil	768.6	314	
1942	829.2	Nil	0.2	829.4	Nil	Nil	829.4	339	
Including "Permission to Deal" (New Basis)									1935 - 100
1935	2.5	16.3	108.2	127.0	12.2	1.4	140.6	100	
1940	502.7	Nil	15.1	517.8	0.8	Nil	518.6	368	
1941	766.0	Nil	0.7	766.7	2.6	Nil	769.3	547	
1942	829.2	Nil	6.5	835.7	0.3	0.1	836.1	597	

* Including County and Public Board Loans.

TABLE II—TOTAL COMPANY ISSUES (MILLION £)

First Half of Each Year	Old Basis				New Basis			
	1939	1940	1941	1942	1939	1940	1941	1942
Debentures	5.2	Nil	Nil	Nil	11.5	0.8	0.3	0.2
Preference	2.0	0.1	Nil	Nil	4.0	1.2	0.2	0.7
Ordinary	9.2	0.9	2.5	0.1	28.3	13.5	2.8	5.9
Total	16.4	1.0	2.5	0.1	43.8	15.5	3.3	6.8

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

	First Half Years Old Basis		First Half Years New Basis	
	1941	1942	1941	1942
British Government Loans	765,970,500	829,218,400	765,970,500	829,218,400
Foreign Government	Nil	Nil	Nil	6,500
Foreign Railways	Nil	Nil	Nil	10,500
Mines	2,573,200	Nil	2,603,300	168,000
State and Land	Nil	Nil	19,000	210,000
Oil	Nil	Nil	Nil	78,100
Iron, Coal, Steel, &c.	93,200	Nil	343,200	1,708,900
Stores and Trading	Nil	Nil	Nil	178,300
Electric Light & Telegraph	Nil	Nil	142,500	Nil
Tramway and Omnibus	Nil	50,000	Nil	103,100
Gas and Water	Nil	Nil	145,800	257,200
Shipping	Nil	Nil	Nil	1,581,800
Manufacturing and Misc.	Nil	90,000	55,200	1,574,600
Total	768,636,900	829,358,400	769,279,500	836,095,400

The Brewery Conversions

The first result of the recent brewery conversions to be announced is that of Portsmouth and Brighton. This was the case where £438,340 of 4½ and 6 per cent stock was to be converted in 1940 into 4 per cent stock. Apparently, holders of approximately 80 per cent of the two issues combined accepted the offer, leaving only some £87,000 of stock to be taken up by the guarantors, who were probably well satisfied to get such an allotment. This is likely to be followed by a similar statement about the conversion of the Courage stock, this being another case where no net repayment was provided for. Contemporaneously, the terms of another important conversion, that of £1,378,000 of Watney Combe Reid 5½ per cent stock, are announced. This is to be repaid in March next at 10s, and holders are offered an equal amount of 3½ per cent stock, 1956-68, at 96½. That is to say, they receive 4½ per cent in cash, which they get in September, instead of waiting a further six months. A semi-speculative attraction is given to the new stock by the fact that a sinking fund of about 2½ per cent per annum, to redeem the stock by drawings at par, is to start in two

years' time. The underwriting or guarantee fee is £10,500 for the whole issue. The running yield on the new stock is approximately 3½ per cent, with the chance of a substantial, and the certainty of a material, profit on repayment.

Company Notes

Wiggins, Teape Results

Consolidated gross profit on trading of the Wiggins Teape group of paper manufacturing companies declined in 1941 from £1,499,912 to £1,295,553. With a rise in ARP and dependant's allowances from £102,143 to £159,261, the balance on consolidated profit and loss account is reduced from £802,518 to £569,604, and the profits of the parent amount to only £427,272 against £594,088. The latter has, however, benefited by a sharp reduction in the sum which has to be found for taxation from £278,819 to £62,584. This is in part due to the possibility of drawing on taxation reserve and in part to the absence of any claim for EPT, since the pre-war standard was not earned in 1941. The directors point out that no credit has been taken for refund of EPT. Consequently, equity earnings, at £168,177 against £118,079, are actually higher than in the previous year, and the ordinary payment, maintained at 7 per cent, is covered by a rate of 12.9 against 7.0 per cent. There is a transfer of £50,000 against nil to contingencies and an increase in the carry forward from £52,153 to £52,386. The setback is due to shortage of materials, which could not be completely overcome by the use of alternatives, and the general reduction in the weight of papers. The group is increasingly engaged in the production of special papers, photographic and others, which continue to enjoy a priority, but on which the profit margin is probably small. The consolidated balance sheet shows a reduction in stocks from £1,618,699 to £1,321,271. There is, none the less, an increase in surplus liquid assets, excluding £59,218 current accounts of subsidiaries with the Madras branch, from £2,401,196 to £2,442,122. Meanwhile, bank loan is reduced from £15,343 to £13,600; and cash holdings from £733,274 to £381,249, in order to finance an increase

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BANKERS
ARMY AND AIR FORCE AGENTS.

One Hundred and Sixteenth Statement of Assets and Liabilities — 30th June, 1942.

LIABILITIES		ASSETS	
Dr.	£ s. d.	Cr.	£ s. d.
To Capital authorised and issued	1,000,000 0 0	By Coin, Bank Notes and Balance at Bank of England	5,478,100 10 7
To Reserve Fund	850,000 0 0	By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	3,189,650 19 3
To Current, Deposit and other Accounts (including provision for Contingencies)	49,354,384 18 3	By Money at Call and at Short Notice	5,671,200 0 0
To Amounts due to Subsidiary Companies	25,554 17 9	By Bills Discounted	1,209,075 15 5
To Acceptances and Engagements on account of Customers	4,600,610 7 0	By Treasury Deposit Receipts	5,900,000 0 0
		By Investments:	
		British Government Securities	£19,694,178 2 9
		Other Securities	792,917 12 3
		Subsidiary Companies	20,686,990 15 0
		By Advances to Customers and other Accounts	9,316,921 15 9
		By Liabilities of Customers for Acceptances and Engagements as per contra	4,600,610 7 0
		By Bank Premises (at cost, less amts. written off):	
		Freehold	£820,000 0 0
		Leasehold	120,000 0 0
			740,000 0 0
			£55,890,550 3 0

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

KEMP, CHATTERIS, NICHOLS, SENDELL & CO.,
JACKSON FIDLEY & CO.,
15th July, 1942. Chartered Accountants.

ERIC GORE BROWNE, Chairman.
IAN LESLIE MELVILLE,
15th July, 1942. Directors.

QUINTON BROWN, Accountant.

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The Bank undertakes the office of Executor and Trustee.

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in holdings of Government securities from £27,771 to £305,310. The improvement in equity earnings last year is, of course, governed by the special circumstances of the company's tax position. It would be surprising if, when refunds of income tax have been exhausted, equally good results were obtained in the current period, but the concern should be in a position to maintain the ordinary dividend if the management sees fit to do so. The £1 ordinary shares, at 30s. ex dividend, yield £4 13s. 4d. per cent.

Hudson's Bay Recovery

In view of the marked expansion in activity which already existed in Canada a year ago, the very modest recovery, shown by the Hudson's Bay Company at that time, caused some comment. Fortunately, the preliminary results for the period ended January 31st last, make a substantially better showing. After finding taxes of £710,969, against £486,123, there is available for dividends and reserves £91,651, compared with £60,054. In consequence, the amount available for ordinary shares is increased in a much greater proportion, and the dividend from ordinary profits is raised from 1 to 3 per cent, subject to tax at an unstated rate. At the same time, the payment from the Land Account, not subject to tax, is 2 against 1½ per cent. In conformity with a hint, dropped by the chairman at the last annual meeting, the board proposes to effect a further repayment of £600,000 of 5 per cent preference capital. This will, presumably, be effected by a return of 30s. per share, reducing the amount to £2. There was a similar repayment six years ago. The effect of the repayment on the ordinary capital should be a modest increase in distributions, but the return of capital makes the preference shares less attractive, and they have recently declined in value. On the news, the ordinary shares of £1 advanced 4s. to 28s., while the £3 10s. preference reacted further to 7½s. 3d.

Brazilian Traction Earnings

The accounts of Brazilian Traction, Light and Power for last year are remarkable in that they show a recovery in net earnings for the ordinary capital to the best figure for over a decade. As was disclosed some time back, dividends are resumed, but with a payment of 40 cents, which

	Years ended December 31st.		
	1939	1940	1941
	US\$	US\$	US\$
Group earnings & expenses			
From operation	37,199,350	37,737,986	42,770,608
Operating expenses	17,864,752	18,601,618	19,736,952
Depreciation	6,929,253	6,951,242	7,197,250
Loan charges	3,052,438	2,829,468	2,868,096
Miscellaneous revenue	314,390	399,733	655,488
Net revenue to—			
Brazilian Traction	9,667,297	9,755,391	13,623,798
Miscellaneous receipts	110,653	93,634	105,818
General expenses†	611,842	589,218	580,932
Preference dividends	22,531	21,480	21,480
Earned for ordinary	9,143,577	9,238,328	13,127,204
Paid on ordinary	—	—	2,579,077
			(40 cents)
Surplus	25,006,434†	34,244,763	44,814,369

† Including \$300,000 for amortization.
‡ After \$25,000,000 to Reserve.

is far below the best recorded. Full particulars, so far as these are published, are set out above for the past three years. It will be seen that gross earnings from operations have increased sharply, with only a modest rise in operating expenses. The former must owe a great deal to war

demands, which have facilitated Brazil's task of cutting away from coffee and cotton, and concentrating on the export of raw materials and manufactured goods. The value of the former has risen from 41.5 per cent of total exports to 48.3 per cent in two years, while for manufactures the increase is from 0.8 to 5.5 per cent. The balance sheet shows a rise of \$8,000,000 odd in fixed assets and an expansion of \$12,250,000 in liquid resources, of which the bulk occurred in cash, including Brazilian currency. Against this, current liabilities are up by some \$3,250,000 and reserves and surplus show an expansion of \$17,500,000. The report contains a definite hint that operating expenses will rise, and it is very probable that they will to some extent catch up on rising revenue. The crux of the matter is, however, the rate of exchange. There was a very modest improvement in this from 4.83 to 4.85 US dollars in the special free market rate, which governs general remittances, other than in payment for imports. Only strictly limited amounts have been available for the financial service, and, so long as there is any prospect of an improvement in the rate, it may well pay the ordinary shareholder to wait. In existing conditions the board appear to believe that some improvement is not improbable, and therein lies the best hope of any material amelioration in the position. There can be little doubt that Brazil is achieving as much success as any of the South American republics in improving its economic position, and that the development of the war, and the good neighbour policy of the USA, are helping it. There is also reason to suppose that Brazilian Traction must benefit, in larger sales, from any increase in the country's prosperity. It will, however, depend on domestic policy how far such a development is reflected in an improved rate for the milreis, and how far foreign capital is allowed to benefit from any such improvement.

W. T. Henley's Telegraph

The results of W. T. Henley's Telegraph, the last of the big electric cable companies to report for the past financial period, show an expected stability of income after taxation, except tax on dividends, and special war expenditure. Trading profits for 1941 are actually rather higher at £410,645, against £400,484, and, although depreciation absorbs some £4,000 more than in the previous year at £74,016, while staff funds receive £5,000 against nil, equity earnings are up from £308,066 to £312,379, representing a rate of 28.1, against 27.3 per cent. The rise in rate is due mainly to the fact that the 1941 figure is subject to directors' bonus, while the others are net of £3,500 on that account. The ordinary payment is maintained at the usual 20 per cent, including a 5 per cent cash bonus; contingencies receive £50,000, as before, and there is a moderate rise in the carry forward from £378,897 adjusted to £381,276, subject to directors' bonus.

	Years to December 31,		
	1939	1940	1941
Profit	415,204	400,484	410,645
Expenses, fees and pensions	13,605	13,500	15,250
Depreciation	61,246	69,918	74,016
Preference dividends	9,000	9,000	9,000
Ordinary stock:			
Earned	331,353	308,066	312,379
Paid	260,000	260,000	260,000
Earned %	29.5	27.3	28.1
Paid %	20	20	20
Reserve	100,000	50,000	50,000
Carry forward	380,831	378,897	381,276

† Subject to payment of bonus to directors.

The balance-sheet, which shows great strength, suggests that business expanded last year. Thus, increases in creditors from £2,206,099 to £2,480,335, and in debtors from £1,282,266 to £1,352,796 are accompanied by a jump in cash holdings from £132,419 to £302,078, and a rise in the total of stocks and work in progress from £1,071,110 to £1,216,575. The liquid position is, thus, very strong. It may be presumed that this apparent expansion has been achieved despite lower output of the peacetime subsidiary products of the group, such as tennis and golf balls, and despite a contraction in the rubber manufacturing side of the business, which will be much more evident in 1942. The 5s. ordinary stock, at 22s. 6d. ex dividend, yields £4 8s. 11d. per cent.

Powell Duffryn Higher Payment

Profits of Powell Duffryn Associated, the operating company of the Powell Duffryn group, show an increase, after all expenses including taxation and depreciation, from £576,439 to £667,171 in the year to March 31st last. There is a rise in the sum distributed as dividends to the two holding companies, Welsh Associated Collieries and Powell Duffryn Steam Coal, from £234,130, excluding the £40,000 distributed in the previous year from contingencies reserve, to £319,000. The apparent decline in total income of Welsh Associated, 99 per cent of whose ordinary capital is now held by Powell Duffryn Steam, from £179,720 to £122,109, is due to the absence of the special compensatory payment distributed by the latter in 1940-41. Welsh Associated is, consequently, obliged to reduce the ordinary payment from 4, of which 3 was a special dividend, to 1½ per cent, against 1½ per cent in 1939-40. Powell Duffryn Steam Coal, the only company in the group in which the public is directly interested, has suffered a reduction in income from £227,336 to £219,534, the higher dividend from Powell Duffryn Associated not compensating for the smaller dividend from Welsh Associated and the absence of the previous year's special payment. Consequently, the earnings percentage is reduced from 7.3 to 6.9 per cent. Ordinary stockholders, however, receive 7 against 5½ per cent. In the previous year, the surplus was required for the payment of special compensation to Welsh Associated. An income-tax refund of £1,795 makes it possible to raise the carry forward, despite the fact that the dividend is under-earned, from £5,770 to £6,038. The chairman, Mr Edmund Lawrence Hann, states that there has been no difficulty in marketing the whole output of the operating company, but that there has been a steady rise in mining costs, and that the labour shortage presents an acute problem. He puts forward a plea for the construction of vessels which utilise the latest coal-burning technical developments as a means of ensuring continuity of post-war output. The Powell Duffryn Associated balance sheet shows a small rise in stocks from £690,968 to £702,387. Net loans from subsidiaries of £23,880 have replaced net loans to subsidiaries of £600,175, while reserves have increased by £150,000 and fixed assets fallen by £108,089. Higher creditors and tax liability, coupled with lower debtors and cash holdings, are responsible for a jump in tax reserve

certificates and trade investments from £619,744 to £2,364,795, while surplus liquid assets are some £900,000 higher at £2,162,192. The £1 ordinary stock of Powell Duffryn Steam Coal, at 15s. 3d. ex dividend, yields £9 3s. 7d. per cent.

British Plaster Board

The full accounts of British Plaster Board for the year to March 31st last—the preliminary statement was discussed in *The Economist* of July 4, 1942—show consolidated profits, after all taxation including EPT, of £396,936. This compares with profits before tax in the previous year of £563,304, when total tax liability amounted to £342,555. It cannot be too strongly regretted that the management has seen fit to withhold comparable figures for the latest year. The scope of the improvement can, of course, be judged from the rise in the earnings percentage of the company, which, at 44.1 against 24.6 per cent, provides ample cover for the ordinary dividend, raised from 15 to 25 per cent. The carry forward is £152,747 higher at £265,072. The chairman, Lord Belper, points out that the recovery in earnings is due partly to the revival in the demand exercised by the section of the building trade, that concerned with rehousing and construction of public buildings, which British Plaster Board supplies, and partly to the decline in imports. A statement by the chairman that "we have not been liable for any measure of EPT" appears to apply only to the holding company. The consolidated balance sheet shows a reduction in debtors of some £100,000 to £485,268, coupled with an increase in all other forms of liquid assets. Investments are some £90,000 higher at £911,157 against £824,911, stock some £50,000 higher at £265,617, while cash holdings have risen from £162,252 to £540,149. On the liabilities side, the total of taxation and creditors has risen from £609,455 to £754,046. The company's statement shows the elimination to £693 standing to the credit of general reserve through the transfer of this amount to investment reserve. There is every probability that the demand for the products of the group will be maintained at a high level during the remainder of the war and into the peace. The 5s. ordinary shares, at 23s. ex dividend, offer the sound yield of £5 8s. 8d. per cent.



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Industry and Trade

Still Over 100,000

As the peak of war production is approaching in this country, drastic steps are being considered, and taken, to increase the supply of labour. Young men are being removed from munition factories and women are being interviewed under the Registration for Work Order at the rate of 50,000 a week. It seems therefore anomalous at first sight that there should still be as many as 106,170 persons fit for, able and willing to work on the unemployment register after nearly three years of war. The fact is, however, that the unemployment statistics are no longer any real guide to the remaining labour reserve. Although no analysis has been published recently showing the average duration of unemployment, a large proportion of the unemployment register now probably consists of persons, temporarily rendered idle by weather conditions or the completion of contracts, and of workers who are being transferred from one job to another. In order to reduce the duration of unemployment, the Ministry of Labour now interviews all persons who have been on the register for at least two weeks: women in the appropriate age

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN.

	Wholly Unemployed.	Temporarily Stopped.	Persons Normally in Casual Employment.
May 11, 1942.			
Men	55,060	2,579	2,945
Boys	10,711	20	6
Women	32,902	3,084	281
Girls	10,290	106	—
Total	108,963	5,789	3,232
June 15, 1942.			
Men	54,097	1,846	2,994
Boys	8,669	15	8
Women	28,758	1,715	255
Girls	7,716	94	3
Total	99,240	3,670	3,260

groups can then be directed into war work; men can be persuaded to take up work or join the forces, or directed if their age groups have registered for work. Some of the unemployed may later be fitted into the "unsuitable for work" categories, and some may be immobile in districts where work is not available. In the absence of recent statistics about the average duration of unemployment, however, it is impossible to know how far the measures taken by the Ministry of Labour have been successful. In view of the shortage of labour, avoidable unemployment, whether between jobs or in the factory, must be cut down to the lowest possible level.

Synthetic Rubber

The question whether Great Britain should, or should not, rely entirely on American supplies for its needs of synthetic rubber has assumed the proportion of a political controversy. It has its origin largely in the doubts—expressed in the United States by Mr Leon Henderson, for example—about America's ability to supply single handed its own and the British Empire's needs. Last Tuesday the Government's policy was reaffirmed categorically by Mr Lyttelton.

We do not consider at present (Mr Lyttelton said) that we should make synthetic rubber in this country, because there is no saving in shipping unless the synthetic rubber is derived ultimately from coal. The present method is to extract oil from coal first and then to use that oil for the manufacture of

synthetic rubber. Our policy is to concentrate the production of synthetic rubber in the United States.

For the time being at any rate the controversy has been settled for good or for evil.

Administration of Coal Levies

Since the publication of the Government's White Paper on coal on June 3rd last, several important measures have been taken by the Board of Trade and the new Ministry of Fuel and Power to extend effective Government control over the finances of the industry. It will be recalled that while the proposals of the Government devolved upon the regional controllers, acting for the Minister, full and undivided responsibility for the policy and general conduct of mining operations, it was expressly stated in the White Paper that it was not intended to introduce any fundamental alteration in the financial structure of the industry. Apparently, this disclaimer concerned only the procedure governing the district monthly or quarterly ascertainment of proceeds and their distribution between wages, other costs of production and profits, for the Government has now taken over the control not only of the levies imposed for the service of the Coal Mines (War Levy) Scheme of December, 1940, and of the Guaranteed Wage provision of the Essential Work Order applied to the industry from June 1st, 1941, but also of the whole of the revenue from the recent increase of 3s. per ton in the pithead price of coal. The transfer of the administrative control of the levies from the Central Council of Coal Owners (created under the output, supply and price regulation provisions of the 1930 Coal Mines Act) to the Board of Trade took place under the Coal (Charges) Order of June 3rd last, and of the proceeds of the recent 3s. per ton increase in the price of coal under the Coal (Charges) (Amendment) Order, dated July 3rd, raising the charge payable to the Board of Trade by 3s. to 3s. 7d. per ton on disposals. On the basis of current sales, this increased charge represents an annual revenue of between £30 and £35 millions. It is understood that, of the 3s. per ton increase in the price of coal, 6d. was earmarked for the benefit of districts where there were little, if any, credit balances; and it has been officially announced during the past week that out of the pool, the Ministry of Fuel and Power has authorised allowances of 1s. 1d. per ton in Durham, and in the South Wales coalfield of 4d. per ton on steam and bituminous coals, with an extra 1s. 6d. per ton for washed and graded coals, and an average of 4s. 7d. per ton on anthracite coals.

Building Labour

At the beginning of this year, it was officially stated that building activity had reached, or passed, its peak. On the basis of current estimates, it was then held that the volume of construction would remain heavy until next autumn, but would then begin to decline rapidly with the completion of the major part of the Government's building programme. Since the industry's labour force numbered 820,000 male operatives in the summer of 1941, any substantial curtailment of building operations would release large numbers of workers for transfer to the Armed Forces or to other civilian occupations. It has since been announced, however, that the calling up of large numbers of building operatives had been postponed as a result of a new demand for labour. To fulfil this demand the Ministry of Labour has set up a building and civil engineering department; workers who were due to be called up are to be directed to industrial work. The new demand for building operatives illustrates the importance of mobility in effecting rapid transfers of workers from one job to another.

Industrial Diamonds

During the current week the Diamond Trading Company has held its midsummer "sights" in London. Although full details of the transactions concluded are not yet available it appears that the new sights have, in the main, con-

firmed the recent market trend. During the first half of this year, the international trade in diamonds has undergone a substantial change. The total value of sales through the syndicate remained virtually unchanged on the year (during 1941, world sales of rough diamonds reached £7 million—the highest level since 1937, when the turnover amounted to over £9 million). Sales of gem stones were appreciably lower, but were counterbalanced by increased sales of industrial diamonds. As prices for industrial diamonds, by arrangement between the producers and the Government, have remained unchanged since the outbreak of war, while prices for gem stones have shown marked advances, the maintenance of sales values in the past six months reflects a considerable advance in the volume of sales. The reason is the huge and still rising demand for industrial diamonds for war purposes.

Diamonds are the hardest known substance, and for this reason they find employment in industry, in particular for use as abrasive material and to prevent abrasion. For decades past, industrial diamonds have been indispensable in glass-cutting and rock-drilling, but to-day these standard uses absorb only a small fraction of industrial diamonds. The development of harder metal alloys (especially steel alloys), the progress towards greater accuracy in engineering and the greater working speed in industry, have greatly enlarged the demand for industrial diamonds. Progress in the use of industrial diamonds has been particularly marked in the past fifteen years and has received a new impetus through the war. Many of the hard armament alloys could scarcely be worked accurately by any other substance, and efficiency and speed of work would be much reduced without supplies of diamond crystals or diamond dust embedded in special preparations, such as powdered metal, plastics, and so on, used to-day for almost all fabricating processes, including cutting, drilling, grinding, trueing, shaping, sawing, and polishing. Apart from abrasives, there are important uses—diamond dies, diamond atomisers in oil burning furnaces—in which diamonds are the best possible material to prevent unnecessary abrasion by other materials. Unlike gem diamonds, industrial diamonds are definitely consumed and in normal times over half the diamonds used in industry were destroyed after twelve months' continuous employment. To-day the "life" of industrial diamonds should, on the average, be shorter owing to the intensity of work and the hardness of the alloys used for armament purposes. On the whole, any diamond is suitable for industrial purposes, but as a rule—the Brazilian "carbonado" and the rare "ballas" disregarded—only stones of little use in the jewellery trade find their way into the industrial market. A large part of the diamonds used for industrial purposes consist of diamond dust. Normally about two-thirds of the annual world production of diamonds are industrial stones, but the value of these hardly exceeds one-fifth of the total annual diamond output.

Unessential Production

The Board of Trade proposals for limiting the production of consumption goods were briefly outlined on page 38 of *The Economist* on July 11. In a memorandum, "Control of Manufacture and Supply and Limitation of Supplies (Miscellaneous) Quotas after August 1, 1942," the Board of Trade gives the full details. The memorandum is divided into three parts. In Part A—Control of Manufacture and Supply—the manufacture of the following classes of goods will be permitted only under licence:—

Floor coverings, holloware and kitchen hardware, metal furniture, domestic electrical appliances, mechanical lighters, athletic sports and outdoor games, musical instruments, fountain pens and umbrellas.

Definitions of controlled goods are given in every case. Control, in so far as it has been exercised in respect of these goods, was by varying means; in most cases under the Limitation of Supplies (Miscellaneous) Order, in others by individual Orders, in some through control of raw materials. Goods the manufacture of which will be prohibited are dealt with in Part B. Licences to manufacture goods in this class may be granted only in exceptional cases. The manufacture of certain descriptions of the following classes of goods are prohibited:—

Jewellery, goldsmiths' and silversmiths' wares, cutlery, including spoons and forks, toys and games, leather goods

and other receptacles, glass-ware, fancy goods, metal-ware, cash registers and hand-operated lawn-mowers, and domestic furniture made of any material other than metal.

For domestic furniture, the memorandum sets out the classes of goods which may be manufactured, with specifications of the amount of material which may be incorporated in them. The third section, Part C, deals with quotas under the Limitation of Supplies (Miscellaneous) Order, after July 31. In order to dispose of stocks in the hands of manufacturers and wholesalers, the following classes of goods covered in Parts A and B will be free from supply quotas under a Limitation of Supply Order:—

Floor coverings, glassware, metal furniture, holloware, wicker furniture, musical instruments and records, fancy goods and machinery.

Other goods will be subject to a supply quota during the six months beginning August 1st, based on a standard period of the year ended May 31, 1940. The figures in brackets show the permitted quota, expressed as a percentage of the supply, by values, during the standard period:—

Lighting fittings (10), cutlery (20), trunks, bags, etc. (10), photographic goods (20), toys and indoor games only (15), and jewellery (10 and 25).

Utility Furniture

The utility clothing scheme is in the main succeeding in its objects of providing the public with clothes of good value, using the minimum of labour, materials and factory space in their production. In view of its success, attention is being turned towards other durable and semi-durable goods which are essential even in time of war. The necessity for a utility scheme for furniture production is emphasised by the way in which prices have risen, while quality, owing to lack of materials and the loss of skilled labour, has deteriorated. Point was given last week to the present condition of the furniture market by Sir Douglas McGraith, chairman of the Price Regulation Committee (North Midland Region), when he announced that a review in his area had disclosed that prices are as much as three times as high as before the war; he confirmed the inferior quality of much of the furniture now on sale. A few days earlier, the President of the Board of Trade announced the appointment of an advisory committee

to produce specifications for furniture of good, sound construction in simple but agreeable designs for sale at reasonable prices, and ensuring the maximum economy of raw materials and labour.

The composition of the committee provides some assurance that designs will in fact be simple and agreeable. Utility furniture may even set new standards of taste in home design. It is expected that some utility furniture will begin to come on to the market in the late autumn. The tendency appears to be that all goods which are essential, and the production of which is permitted, will eventually be made to utility specifications.

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COMPANY MEETINGS

NATIONAL BANK OF NEW ZEALAND, LIMITED

RECORD DEPOSIT FIGURES

The statement by Lord Balfour of Burleigh (the chairman), circulated with the report and accounts, after referring to the recent appointment of Mr John Macmillan to the board, continues:—

In New Zealand, as elsewhere, the vast expenditure on the war has resulted in a great increase in deposits with the banks, and it is not surprising that deposits are higher in our latest balance-sheet than they have been in the history of the bank.

One of the main features of banking in New Zealand is the finance of primary production, and large seasonal fluctuations in the trading banks' figures are therefore inevitable, especially when normal movements are affected by special factors, such as shipping difficulties.

REDUCTION IN RATES

Our profit-earning capacity has also been seriously affected by the arrangement which, as Mr Nash announced in his budget speech in July, 1941, was made with the trading banks for the reduction of overdraft rates to a minimum of 4 per cent. and a maximum of 5 per cent. This reduction was accompanied by small reductions in our rates for fixed deposits, but the net effect of this arrangement was a considerable reduction in the bank's profits. Add to all this the fact that our exchange business has been still further curtailed, and it becomes clear that our profits for the past year would have been much lower than in fact they are if we had not during the past year received the relief, for which we have waited so long, through the passing last

October of an Act amending the Land and Income Tax Act. The rates at which we pay taxes have recently been increased, and we now have to pay income, social security and national security taxes in New Zealand of just over 14s. in the £ on our profits. We are not complaining of these high taxes, because we understand the necessity for them, and we are thankful that the Government has now abolished the arbitrary system under which the banks were previously taxed, but the increase in rates of taxation naturally means that the saving effected for us by this reform is not as great as we had at one time hoped it would be. The net profit shown by the year's accounts is £92,585, an increase of £10,849 on last year's figure.

ALLOCATION OF PROFITS

One of the results of our being taxed on the same basis as other companies is that, in order to obtain the full income-tax allowance for depreciation on premises and furniture, we have to write off during our accounting year depreciation on these items at certain specified rates. The allocation to premises this year is £2,000 higher, £12,000 being the net amount, after the crediting of rents received, which has been written off from the profit and loss account. The allocation to pension and gratuity funds is also increased by £1,000 to £15,000, which amount will cover the annual contributions required of the bank as a result of the establishment of the women's pension fund, which is mentioned in the directors' report. The interim dividend of 1½ per cent., less United Kingdom income-tax paid in January, absorbed 20,719, and of the remaining amount available the directors propose that £10,000 be transferred to contingency accounts, and that £34,531 be paid as a final dividend of 2½ per cent., less United Kingdom income-tax. This will leave £116,184 to be carried forward, which is £335 more than last year.

The statement concludes with a tribute to the New Zealand forces, and also to the staffs of the bank both in New Zealand and in this country.

UNION CORPORATION, LIMITED

MR P. M. ANDERSON'S REVIEW

Summary of the proceedings at the ordinary general meeting of shareholders of Union Corporation, Limited, held in Johannesburg on May 28, 1942. Mr P. M. Anderson presided.

The Chairman said that the net profit for 1941, after providing for all outgoings, including taxes, etc., amounted to £621,381. He stated that they were fortunate, in these difficult times, in again paying a total dividend of 8s. per share, absorbing £616,000, leaving £127,531 to be carried forward.

The book value of their claim and debenture holdings showed little change, but sundry participations, etc., had risen to £91,983, due to the purchase of certain gold mining rights, chrome and iron ore interests.

At the close of the year their cash assets, including debtors, exceeded their liabilities by £200,000.

The salient features of the Witwatersrand gold mining industry, and, in particular, the operating results of the gold mining companies on the Witwatersrand under the administration of the corporation, were then reviewed.

In the Orange Free State, Western Holdings, Limited, had obtained a lease over certain farms north of Sand River. The corporation would undertake the administration and technical management of operations in this area and preliminary work would start when conditions permit. Bay Hall Trust had again paid 6½ per cent. and increased the balance carried forward by £4,616, to £75,945. The market value of the trust's assets had improved by over 12 per cent. and had at the end of the year an aggregate value of £2,050,999.

San Francisco Mines of Mexico was able to resume dividend payments with 9d. per share for the year. The outlook gave considerable encouragement.

Shipment of chrome ore was continuing.

THE BOARD

By the death of Mr Joseph Temperley in May of last year and of Sir Reginald Mant in March this year, the corporation lost two highly esteemed colleagues of its directors. Mr Temperley joined the board in June, 1915, and served as its chairman until April, 1924; Sir Reginald Mant was appointed in November, 1934. The corporation had also lost the valuable collaboration of the Right Hon. Brendan Bracken, who resigned his seat on being appointed Minister of Information.

Continuing, Mr P. M. Anderson said: Sir Henry Strakosch has intimated to the board that he feels the need of reducing his activities, and that he therefore desires to relinquish the managing directorship of the corporation on June 30th next—an office which he has held for the past forty years. The board has acceded to this request with great regret, but I am glad to announce that Sir Henry will continue to act as chairman of the board, and will, in addition to the ordinary duties of chairman, continue to collaborate with the management by undertaking the general supervision of the corporation's affairs. His advice and guidance will thus remain currently available. Mr C. T. Pott and I are to be appointed managing directors, I serving in Johannesburg and Mr Pott in London. Your board is confident that this new arrangement will prove in every way satisfactory.

TRIBUTE TO SIR HENRY STRAKOSCH

During the eventful forty years through which Sir Henry Strakosch has been responsible for the management of our affairs, expansion in our business has been remarkable. I give you by way of illustration a few figures concerning our Rand interests only. In 1902 the mines of our group on the Rand milled 171,000 tons of

ore, yielding 76,000 oz. of gold for a working profit of £125,000. Last year our group milled 7,195,000 tons, yielding 1,825,000 oz. for a working profit of £7,692,000, and over those forty years the corporation has distributed to its shareholders nearly £9,500,000 in dividends. In spite of Sir Henry Strakosch's unsparing devotion to our affairs, he has managed to find time to render important public service to the Empire. So far as South Africa is concerned, I need only mention his recommendations to the Union Government that brought about the South African Currency and Banking Act in 1920 and the subsequent establishment of the Reserve Bank provided for in that Act.

The Chairman thanked the depleted staffs in London and Johannesburg for efficient service rendered throughout the year; the report and accounts were adopted and the auditors reappointed.

N.B.—A copy of the full report of the above proceedings is available for inspection at the London office.

THE GROOTVLEI PROPRIETARY MINES, LIMITED

INCREASED WORKING PROFIT

The thirty-fifth ordinary general meeting of the Grootvlei Proprietary Mines, Limited, was held on May 12, 1942, at Johannesburg.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said: Owing to inevitable delays in obtaining delivery of equipment from overseas, it was not until the current year that the extended reduction plant reached its capacity of about 150,000 tons per month. Despite this, the ore milled during the year showed a substantial increase of 261,500 tons, to 1,496,000 tons. The working revenue was £3,376,007, of which £1,738,551 was expended in working costs, leaving a working profit of £1,637,456, or £360,217 more than in the preceding year. After taking into account sundry revenue and income from investments and deducting sundry charges, and providing £922,720 for taxation, which represents 56 per cent. of the working profit, there remained a net profit of £710,126, or £39,143 more than in 1940. The addition of the unappropriated balance at the commencement of the year made available for disposal an amount of £885,974, from which were paid two dividends, totalling 4s. per share.

Capital expenditure during the year, including the net cost of acquiring the assets of the Palmietkuil Company, was £905,114. This amount was provided as to £167,146 by capital funds in hand, as to £538,236 by the issue of shares and the balance of £199,732 has been appropriated out of the year's profits. This, together with an increase in cash assets, resulted in a deterioration of about £97,000 in the cash position, which will need to be restored out of future profits.

Development work during the year totalled 69,982 ft., of which 48,395 ft. were on reef and sampled, 27,075 ft., or 56 per cent., being classed as payable with an average value of 12.1 dwt. over 28 in.

The ore reserves at the year-end were estimated as 10,000,000 tons of an average value of 5.2 dwt. over an estimated stopping width of 46½ in. Compared with the previous year the value is unchanged, the width 2½ in. less, and the tonnage shows an increase of 2,500,000 tons, which is partly due to the inclusion of the Palmietkuil reserves, these having been taken in at a lower tonnage and higher value than estimated by that company before its assets were acquired by us. Your company has now attained a substantial ore reserves position, and this has permitted a reduction in the rate of development by over 60 per cent. as from the beginning of the current year in order to conserve the use of materials, particularly steel, during the war.

The report and accounts were adopted.

July 18, 1942

GEDULD PROPRIETARY MINES, LIMITED

MR P. M. ANDERSON'S REVIEW

The forty-first ordinary general meeting of Geduld Proprietary Mines, Limited, was held on May 12, 1942, at Johannesburg.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said: The ore milled reached the total of 1,398,000 tons, and the yield per ton milled, at 4.75 dwt., was nearly two-tenths of a pennyweight higher than in 1940. Working revenue amounted to £2,797,326, and working costs, which rose to 19s. 5d. per ton milled, absorbed £1,356,803, leaving a working profit of £1,440,523, or £31,763 more than in the previous year. Due to lower dividend distributions by the East Geduld Mines and the Grootvlei Proprietary Mines, our income from investments and sundry revenue decreased by some £50,000, to £461,317. The gross profit was £1,901,840, and after deducting sundry charges and taxation—the latter increasing by £87,945, to £846,407—there remained a net profit of £1,042,390, or £109,684 less than in the previous year. With the addition of the unappropriated balance at the beginning of the year the amount available for disposal was £1,350,686, from which was paid two dividends totalling 13s. 6d. per share—a decrease of 1s. 6d. over the previous year.

Development work in main reef areas totalled 17,479 feet, and of 11,425 feet on reef, 35 per cent. were payable with an average value of 8.6 dwt. over 37 in. These results must be considered as satisfactory, for work on this reef now consists mainly of splitting large low-grade blocks. On the Black Reef horizon, which is being prospected from the Nos. 5 and 7 shafts, a total of 7,771 feet were driven. Of 2,670 feet on reef, 24 per cent. were payable with an average value of 7.4 dwt. over 34 in. These disclosures are encouraging, but considerably more work will be necessary before any opinion can be formed as to the economic possibilities of this reef in your mine.

The ore reserves at the year-end were 8,800,000 tons of an average assay value of 4.4 dwt. over 53 in. In comparison with the previous year there is a decrease of 200,000 tons, the value is one-tenth of a pennyweight lower, and the width unchanged.

In response to the Government's request to the industry to further conserve the use of materials, particularly steel, your company has from the beginning of this year curtailed its development work on Main Reef, and at the present time work on this reef has virtually ceased. Work on the Black Reef has also been curtailed for the same reason and now consists of putting in main connections to the various shafts from which exploration of this reef can be carried out expeditiously when conditions permit.

Our shareholdings in East Geduld Mines, Limited, and the Grootvlei Proprietary Mines, Limited, remain unchanged. Both companies continue to show satisfactory progress.

The report and accounts were adopted.

HENDERSON'S TRANSVAAL ESTATES, LIMITED

The thirtieth ordinary general meeting of Henderson's Transvaal Estates, Limited, was held on London on the 15th instant.

The following is a summary of the statement of the chairman, Mr W. L. Castleden, which had been circulated with the report and accounts, for the financial year which closed on March 31, 1942:—

Investments in Government securities have increased by £62,600, while our cash is reduced by £44,200. We have accordingly fully recovered the drop in liquid assets reported to you last year. We have to tell you again this year that the market value of our quoted securities is below book value, but this depreciation is covered several times over by the reserve we have set aside to meet such a contingency. On

the other hand, we are pleased to be able to inform you that the value of our unquoted securities shows little alteration, and still remains well above the figure at which they appear in the company's books. You will observe that our total reserves now amount to £230,000, i.e., nearly 50 per cent. of our issued capital.

The result of the year's working is that we are able to recommend the payment of a dividend of 10 per cent. and to carry forward £46,950, a result which shareholders will agree is satisfactory.

The report was unanimously adopted.

VAN DYK CONSOLIDATED MINES, LIMITED

INCREASED ORE MILLED

The eighth ordinary general meeting of Van Dyk Consolidated Mines, Limited, was held on May 13, 1942, at Johannesburg.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said: Operating results during the year were satisfactory, the ore milled showing an increase of 54,900 tons, to 1,183,100 tons, while the yield per ton milled was 5.17 dwt. The working revenue was £2,574,196, and working costs amounted to £1,577,276, leaving a working profit of £996,920. Taxation increased by £57,113, to £425,494, equivalent to 55 per cent. of the working profit, and, after allowing for other items detailed in the accounts, the net profit was £551,165, or practically the same as in 1940. Together with the unappropriated balance at the commencement of the year, there was available for disposal an amount of £804,451. From that amount two dividends, totalling 1s. 9d. per share, were paid.

During the year a total of 107,606 feet were driven, and of 68,830 feet sampled, 31 per cent. were payable with an average value of 9.6 dwt. over 23 inches. The value showed a falling-off in comparison with the previous year and disclosures in certain areas have not come up to expectations.

The ore reserves as recalculated at the year-end amounted to 3,100,000 tons of an average assay value of 5.2 dwt. over 39 inches, the tonnage and width remaining unchanged and the value being two-tenths of a pennyweight lower.

In response to the Government's request to the industry to further conserve the use of materials, particularly steel, your company has from the beginning of this year curtailed its development work by about 15 per cent.

The report and accounts were adopted.

EAST GEDULD MINES, LIMITED

LARGER TONNAGE MILLED

The fifteenth ordinary general meeting of East Geduld Mines, Limited, was held on May 12, 1942, at Johannesburg.

Mr P. M. Anderson, chairman of the company, presided, and in the course of his remarks said: During the year 1,932,000 tons were milled, or an increase of 22,000 tons over the previous year; while the yield per ton milled was maintained at 5.75 dwt. The working revenue was £4,676,644, of which working costs absorbed £1,602,605, leaving a working profit of £3,074,039, or £40,649 more than in 1940. Taxation increased by £141,216, to £1,906,273, which is equivalent to 62 per cent. of the working profit, and after adding income from investments and sundry revenue, less sundry charges, the net profit was £1,187,970, or £104,290 less than in 1940. The addition of the unappropriated balance at the commencement of the year made available for distribution £1,520,565, from which two dividends, totalling 12s. 6d. per share, or 1s. 6d. less than in 1940, were declared.

Development work during the year, which was mainly confined to the No. 2

Shaft area, totalled 28,927 feet, and of 23,860 feet sampled, 61 per cent. were payable, with an average value of 10.4 dwt. over 29 in.

The ore reserves as recalculated at the year-end amounted to 16,000,000 tons, of an average assay value of 5.2 dwt. over an estimated stopping width of 59 inches. In comparison with the previous year the tonnage shows an increase of 800,000 tons, the value being unchanged and the width 2 inches greater.

In response to the Government's request to the industry to further conserve the use of materials, particularly steel, your company has from the beginning of this year curtailed its development work by about 90 per cent. This substantial reduction has been made possible by the strong ore reserves position which the mine has attained.

Our shareholding in the Grootvlei Proprietary Mines, Limited, which continued to expand its operations, remains unchanged.

The report and accounts were adopted.

MARIEVALE CONSOLIDATED MINES, LIMITED

INCREASED PROFITS

The seventh ordinary general meeting of shareholders of Marievale Consolidated Mines, Limited, was held on May 13, 1942, at Johannesburg.

Mr P. M. Anderson, the chairman of the company, presided, and in the course of his remarks said: The ore milled increased by 60,000 tons, to 591,500 tons, and the yield per ton milled was 5.30 dwt. The working revenue was £1,320,401, of which working costs absorbed £892,338, leaving a working profit of £428,063, or £72,810 more than in 1940. Taxation, which was less than the normal amount payable owing to the effect of a prior assessed loss, absorbed £125,890 and, after allowing for the other items detailed in the accounts, the net profit was £295,173, being an increase of £30,105 over the previous year. With the amount brought forward at the commencement of the year there was available for disposal £418,616, from which two dividends totalling 1s. per share were paid.

The dewatering of the No. 2 Incline Shaft area was completed during the year, enabling development below the 7th level to be resumed. The total footage driven in the mine amounted to 47,967 ft., and of 34,920 ft. sampled, 18,360 ft., or 53 per cent., were payable with an average value of 14.2 dwt. over 21 in. These results show an improvement over those of the previous year, and it is gratifying that disclosures in the lower levels of the mine continue to be encouraging.

The ore reserves as recalculated at the year-end amounted to 2,500,000 tons, of an average assay value of 5.9 dwt. over an estimated stopping width of 38 in., being increases of 500,000 tons and two-tenths of a pennyweight in value with the width one inch lower.

In response to the Government's request to the industry to further conserve the use of materials, particularly steel, your company has from the beginning of this year curtailed its development work by about 25 per cent.

The report and accounts were adopted.

VENEZUELAN OIL CONCESSIONS, LIMITED

INCREASED PROFIT

The twenty-sixth ordinary annual general meeting of this company was held, on the 10th instant, in London.

The following is the statement by the chairman, Sir Andrew Agnew, C.B.E., circulated with the report and accounts:—You will note that the profit for the year 1941 is £1,222,116, which is £118,450 more than last year.

Turning to the balance-sheet, you will see that capital expenditure, which, in 1940,

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week Ended	Aggregate from Jan. 1 to
	July 12, 1941	July 12, 1941
Working days:	6	163
Birmingham:	2,364	61,786
Bradford:	2,095	61,792
Bristol:	2,102	61,792
Hull:	600	17,530
Leeds:	748	27,525
Liverpool:	785	23,164
Manchester:	4,638	145,725
Newcastle:	11,534	324,759
Newington:	1,047	35,964
Nottingham:	450	12,551
Sheffield:	666	19,249
Southampton:	107	2,660
12 Towns:	27,136	786,972
Dublin:	9,837	184,322

* July 5, 1941, and July 4, 1942.

OVERSEAS BANK RETURNS

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

	July 10, 1941	June 25, 1941	July 2, 1942	July 9, 1942
12 U.S.F.R. BANKS	1941	1941	1942	1942
Gold certifs. on hand and	20,311	20,551	20,551	20,551
due from Treasury:	20,573	20,853	20,825	20,825
Total reserves:	252	286	259	261
Total U.S. Govt. secs.	2,184	2,583	2,728	2,909
Total bills and secs.	2,197	2,598	2,742	2,922
Total resources:	23,781	24,655	24,821	24,966
LIABILITIES				
F.R. notes in circ.	6,707	9,254	9,409	9,480
Excess m. bank res.	5,270	2,650	2,260	2,320
M. bank res. dep.	12,971	12,523	12,191	12,246
Govt. deposits:	1,038	139	485	548
Total deposits:	15,766	14,020	14,018	14,147
Total liabilities:	23,781	24,655	24,821	24,966
Reserve ratio:	91.1%	89.6%	88.9%	88.1%
BANKS AND TREASURY				
RESOURCES				
Monetary gold stock:	22,640	22,735	22,739	22,740
Treasury & bank currency:	3,152	3,313	3,314	3,315
LIABILITIES				
Money in circulation:	9,695	12,231	12,416	12,489
Treasury cash and dep.	3,350	2,330	2,680	2,738

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	May 19, 1941	April 20, 1941	May 11, 1942	May 18, 1942
ASSETS				
Gold and English ster.	17.71	24.95	24.95	25.95
Other coin, bullion, etc.	6.02	9.91	8.76	9.21
Call money, London:	58.22	27.16	32.36	30.09
Secrts. and Treas. bills:	38.76	104.71	109.88	106.63
Discounts and advances:	22.83	30.23	28.13	28.88
LIABILITIES				
Notes issued:	65.62	95.36	97.36	97.86
Deposits, etc.	114.22	121.55	129.42	124.73

BANK OF CANADA Million Can. \$

	June 18, 1941	June 3, 1942	June 10, 1942	June 17, 1942
ASSETS				
Reserve: Gold:	260.8	457.4	457.4	457.4
Other:	530.6	776.8	791.0	810.2
LIABILITIES				
Note circulation:	388.7	531.5	533.3	534.8
Deposits: Dom. Govt.:	165.6	35.2	32.8	51.5
Chartered banks:	231.3	194.8	201.4	207.5

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

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

	April 30, 1941	Feb. 28, 1942	Mar. 31, 1942	April 30, 1942
ASSETS				
Gold in bars:	36.6	38.4	42.1	45.5
Cash:	27.4	33.7	33.0	33.7
Sight funds:	15.6	15.9	16.3	15.9
Commercial bills:	115.7	113.2	114.2	117.3
Treasury bills:	25.7	27.0	29.9	30.3
Time funds at interest:	21.2	21.1	21.1	21.1
Sundry bills and invests.	230.9	226.0	220.0	212.4
LIABILITIES				
Deposits:				
Annuity:	152.7	152.7	152.6	152.7
German:	76.3	76.3	76.3	76.3
Central Banks:	16.1	16.3	17.3	16.1
Other:	1.3	4.6	4.6	4.7
Gold:	32.0	29.1	29.0	29.0

BANK OF PORTUGAL Million escudos

	Jan. 22, 1941	Jan. 14, 1942	Jan. 21, 1942	Jan. 28, 1942
ASSETS				
Gold:	1239.5	1342.7	1342.7	1342.7
Balances abroad:	978.5	1795.2	1790.2	1831.3
Discounts:	362.8	305.5	303.5	300.0
Securities:	329.6	354.6	354.8	354.8
LIABILITIES				
Notes in circulation:	2748.0	4449.8	4408.0	4374.2
Deposits: Government:	389.8	368.6	431.6	539.7
Bankers:	954.7	2420.7	2449.7	2653.6
Others:	196.6	343.8	315.4	296.3
Foreign commitments:	238.2	261.8	261.8	261.8

SOUTH AFRICAN RESERVE BANK Million £'s

	June 6, 1941	May 22, 1942	May 29, 1942	June 5, 1942
ASSETS				
Gold coin and bullion:	51.07	53.57	54.25	54.29
Bills discounted:	0.53	0.97	0.90	0.83
Invest. and other assets:	40.01	54.10	55.53	53.15
LIABILITIES				
Notes in circulation:	24.99	29.71	33.24	32.09
Deposits: Government:	2.63	8.70	7.24	3.96
Bankers:	52.12	59.27	58.62	60.63
Others:	8.33	7.20	6.90	7.31
Reserve ratio:	57.9%	51.4%	51.4%	52.4%

SWISS NATIONAL BANK Million Swiss Frs.

	June 23, 1941	May 23, 1942	May 30, 1942	June 23, 1942
ASSETS				
Gold:	2292.5	3441.9	3441.8	3440.2
Foreign exchange:	1310.1	131.3	135.8	141.0
Discounts, etc.:	62.6	234.2	263.0	297.5
Advances:	22.0	19.3	19.9	17.0
Securities:	69.8	66.3	66.3	66.3
LIABILITIES				
Notes in circulation:	2041.5	2187.6	2237.0	2164.2
Other sight liabilities:	217.3	253.8	250.3	249.8

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1941		Prices, Year 1942		Name of Security	Price, July 14, 1942	Price, July 14, 1942	Yield, July 14, 1942	Prices Year 1942		Last two Dividends	Name of Security	Price, July 14, 1942	Price, July 14, 1942	Yield, July 14, 1942
High	Low	High	Low					Jan. 1 to July 14	Low					
British Funds														
82 1/2	76 1/2	83 1/2	82 1/2	Consols 2 1/2% (1957)	82 1/2	83	3 0 3	45/9	41/3	4 a	7 b	42/3	41/10 1/2	5 s. d.
113 1/2	110	113 1/2	111 1/2	Consols 4% (after 1957)	111 1/2	112	3 11 5 1/2	50/3	41/10 1/2	3 a	11 1/2 b	44 1/2	44 1/2	6 16 0
100	98 1/2	100 1/2	99 1/2	Conv. 2 1/2% 1943-45	100 1/2	100 1/2	1 19 9	24/8	25/-	1 1/2 a	16 1/2 b	25 1/2	25 1/2	3 19 3 1/2
100 1/2	98 1/2	101 1/2	99 1/2	Conv. 2 1/2% 1944-49	100 1/2	101 1/2	2 8 0	22/9	18/3	3 a	5 b	20 1/2	20 1/2	7 16 0
103 1/2	101 1/2	103 1/2	101 1/2	Conv. 3 1/2% 1948-53	103 1/2	103 1/2	2 11 0	20 1/2	14/3	4 a	7 b	16 1/2	16 1/2	8 12 0
106 1/2	102 1/2	106 1/2	105 1/2	Conv. 3 1/2% (after 1961)	107 1/2	108	3 4 10 1/2	23 1/2	20 1/2	7 a	10 b	23 1/2	23 1/2	8 8 0
108 1/2	104 1/2	108 1/2	105 1/2	Conv. 5 1/2% 1944-64	107 1/2	105	2 18 6	27 1/2	25 1/2	7 a	10 b	26 1/2	26 1/2	8 8 0
95 1/2	91 1/2	96 1/2	93 1/2	Funding 2 1/2% 1952-57	95 1/2	95 1/2	2 17 0	25 1/2	25 1/2	4 a	6 b	26 1/2	26 1/2	8 12 0
101 1/2	98 1/2	101 1/2	99 1/2	Funding 3 1/2% 1959-69	101 1/2	101 1/2	2 15 0	47 1/2	44 1/2	12 1/2 a	12 1/2 b	46 1/2	46 1/2	5 19 3 1/2
116 1/2	111 1/2	116 1/2	114 1/2	Funding 4 1/2% 1960-90	115 1/2	115 1/2	2 18 0	23 1/2	21 1/2	5 1/2 a	2 1/2 b	21 1/2	21 1/2	7 4 0
101 1/2	100	101 1/2	99 1/2	Nat. Def. 2 1/2% 1944-48	101 1/2	101 1/2	2 7 0 1/2	17 1/2	15 1/2	4 a	6 b	16 1/2	16 1/2	6 3 3
102	100	102 1/2	100 1/2	Nat. Def. 3 1/2% 1954-58	101 1/2	102	2 16 0							
100 1/2	99 1/2	100 1/2	99 1/2	War Bonds 2 1/2% 1945-47	100 1/2	100 1/2	2 6 0	10 10 1/2	7/-	Nil c	Nil c	8 1/2	8 1/2	Nil
100 1/2	100	100 1/2	99 1/2	War Bonds 2 1/2% 1946-48	100 1/2	100 1/2	2 9 0	10 6 1/2	6 1/2	Nil c	Nil c	10 1/2	10 1/2	Nil
101 1/2	100 1/2	101 1/2	100	Savings Bds. 3% 1955-65	101 1/2	101 1/2	2 19 0	32 1/2	31 1/2	5 a	5 b	36 1/2	36 1/2	4 17 0
101 1/2	100 1/2	101 1/2	100	Victory Bonds 3 1/2%	114 1/2	115	2 18 6 1/2	36 1/2	31 1/2	2 1/2 a	5 b	35 1/2	35 1/2	4 4 3
101 1/2	100 1/2	101 1/2	100	War Loan 3 1/2% 1955-59	102	102 1/2	2 16 6	9 1/2	2 1/2	Nil c	3 c	8 10 1/2	9 11 1/2	3 5 9
106 1/2	102 1/2	106 1/2	104	War Loan 3 1/2% aft. 1952	105 1/2	106	3 6 0 1/2	27 1/2	23 1/2	7 1/2 a	7 1/2 b	26 1/2	27 1/2	5 11 0
96 1/2	94 1/2	97 1/2	95 1/2	Local Loans 3%	96	96 1/2	3 2 0							
99 1/2	93 1/2	101 1/2	98 1/2	Redemption 3% 1986-96	99	99	3 1 0	74/9	71/3	5 a	10 b	72 1/2	72 1/2	4 2 9
102	100	101	100	Austria 3% 1933-53	101	101	2 17 10	22 1/2	20 1/2	12 1/2 a	7 1/2 b	21 1/2	21 1/2	4 17 0
101 1/2	96	101 1/2	100 1/2	India 3 1/2%	100 1/2	101	3 9 4	84 1/2	78 1/2	20 c	17 1/2 c	81 1/2	81 1/2	4 6 0
Dom. & Col. Govts.														
105 1/2	101	102	101	Australia 5 1/2% 1945-75	101 1/2	101 1/2	4 9 0							
106	100	102	100	New Zealand 5 1/2% 1946	100 1/2	101	4 16 6	38/9	34/6	3 a	5 b	37 1/2	37 1/2	4 5 3
111	107 1/2	109 1/2	106 1/2	Nigeria 5 1/2% 1950-60	108	107	3 16 0	29/-	27 1/2	2 1/2 a	3 1/2 b	28 1/2	28 1/2	4 5 9
Corporation Stocks														
108 1/2	106	108 1/2	105 1/2	Birmingham 5 1/2% 1946-56	107	107	3 13 2	32 1/2	29 1/2	4 1/2 a	2 1/2 b	31 1/2	31 1/2	4 0 6
93 1/2	84 1/2	97	93 1/2	L.C.C. 3%	96	96	3 2 6	40/-	38 1/2	5 1/2 a	5 1/2 b	39 1/2	39 1/2	4 0 0
99	93	99 1/2	98	Liverpool 3 1/2% 1954-64	99	99	3 1 3	40 1/2	39 1/2	3 a	5 b	40 1/2	40 1/2	4 0 0
106	100 1/2	106 1/2	105	Middlesex 3 1/2% 1957-62	105	105	3 1 6	15/-	15/-	10 c	10 c	26 1/2	26 1/2	3 1 3
Foreign Governments														
99 1/2	77	102	97 1/2	Argentina 4 1/2% Stg. Bds.	100	100	4 10 0	21 1/2	20 1/2	7 1/2 a	7 1/2 b	21 1/2	21 1/2	7 40 3
48 1/2	31	64 1/2	46 1/2	Brazil 5 1/2% Funding 1944	61 1/2	64 1/2	3 17 6 1/2	11 1/4	9 1/3	6 b	4 a	10 1/2	10 1/2	9 6 0
27 1/2	11 1/2	31	23 1/2	Chile 6 1/2% (1929)	27 1/2	30 1/2	4 18 4 1/2	14 1/4	11 1/9	11 1/2 a	7 c	13 1/2	13 1/2	5 19 0 1/2
84	71 1/2	93	76 1/2	Egypt Unified 4%	80 1/2	86 1/2	4 12 6	26 1/2	24 1/2	6 c	3 a	15 1/2	15 1/2	16 0 0
42	9	13	5 1/2	Japan 5 1/2% 1930	9 1/2	10		13 1/2	11 1/4	17 1/2 b	15 a	12 1/2	13 1/2	12 10 0
73	58	83	70 1/2	Portuguese 3%	80	80	3 15 0	69 1/2	65 1/2	2 1/2 a	12 1/2 b	66 1/2	66 1/2	2 11 0
45	27	44	33	Spanish 4%	42 1/2	42 1/2	9 8 4	34 1/2	29 10 1/2	17 1/2 b	11 1/2 c	33 1/2	33 1/2	4 12 6
Shipping														
10 1/2	7			B.A. Gt. Stn. Ord. Stk.	8	8		16 1/4	13 1/3	Nil c	Nil c	14 1/2	14 1/2	Nil
12 1/2	9 1/2			Can. Pacific Com. \$25	10	10		25/-	21 1/6	5 c	6 c	23 1/2	23 1/2	5 4 3
115 1/2	106			Great Western Ord. Stk.	46	46 1/2		28 10 1/2	25 1/3	6 b	2 a	26 1/2	26 1/2	6 0 0
20 1/2	16 1/2			C.W. 5% Cons. Pref.	106 1/2	107	4 12 0	24 1/2	20 1/7	5 c	6 c	22 1/2	22 1/2	5 11 0
56 1/2	50 1/2			N.E.R. 4 1/2% 1st Pref.	53	54	7 8 2	20 1/2	19 1/2	5 c	5 c	18 1/2	18 1/2	
42 1/2	38			L.M.S. 4% 1st Pref.	20	20	10 0 0	20 1/2	8 10 1/2					
42 1/2	38			L.M.S. 4% Pref. 1923	54	54 1/2	7 6 10	1 1/8	9d.	9 c	Nil c			
27 1/2	14 1/2			London Transport 'C' Stk.	41	42	6 16 11							
66 1/2	61 1/2			Southern Def. Stock	17	17	10 5 11	55/-	34 1/4	5 c	5 a	46 1/2	43 1/2	2 6 3
				Southern 5% Pref. Ord.	64	66	7 11 6	54 1/2	27 1/6	10 b	5 a	35 1/2	34 1/2	8 14 0
Banks and Discount														
71 1/3	67 1/6	10 b	7 1/2 a	Alexanders £2, £1 pd.	68 1/2	68 1/2	5 1 9	58 1/2	34 1/4	12 1/2 a	12 1/2 b	67 1/2	67 1/2	4 8 0
6	3 1/2	3 1/2 a	4 1/2 b	Bank of Australasia £5	5 1/2	5 1/2	7 16 0	72 1/6	63 1/2	10 b	5 a			
38 1/2	36 1/2	6 a	6 b	Bank of England Stock	376 1/2	376 1/2	3 3 9	47 1/6	35 1/2	10 c	10 c			
47 1/2	43 1/2	8 c	8 c	Bank of Montreal £100	24 1/2	24 1/2	5 1 6	37 1/2	30 1/2	24 c	24 c			
78 1/2	71 1/2	3 1/2 a	3 1/2 b	Bank of New Zealand £1	23 1/2	23 1/2	3 14 0	42 1/3	3 1/2	7 b	7 b			
7 1/2	4 1/2	5 a	2 1/2 b	Barclays Bank 'B' £5	73 1/2	73 1/2	4 11 0	88 1/2	70 1/2	11 1/2 a	11 1/2 b			
68 1/2	65 1/2	6 1/2 a	6 1/2 b	Chartered of India £5	65 1/2	65 1/2	5 13 3	68 1/2	64 1/2	7 a	7 b			
54 1/2	50 1/2	6 b	6 a	Hongkong and S. £125	55 1/2	55 1/2	9 0 2	69 1/2	47 1/2	15 1/2 a	15 1/2 b			
89 1/2	81 1/2	8 b	8 a	Lloyds 'A' £5, £1 paid	53 1/2	54 1/2	4 14 0	11 1/2	9 1/2	12 1/2 a	12 1/2 b			
6 1/2	5 1/2	5 1/2 b	5 1/2 a	Midland £1, fully paid	86 1/2	86 1/2	3 18 0	33 1/2	24 1/2	10 c	8 c			
67 1/2	64 1/2	7 1/2 a	7 1/2 b	Nat. Dis. £2, fully paid	61 1/2	61 1/2	4 0 0	17 1/2	13 1/2	Nil c	6 c			
47 1/2	44 1/2	8 1/2 a	8 1/2 b	Nat. Prov. £5, £1 paid	66 1/2	66 1/2	4 10 6	25 1/2	22 1/2	12 1/2 a	12 1/2 b			
50 1/2	46 1/2	6 1/2 a	6 1/2 b	Royal Bank of Scotland	46 1/2	46 1/2	3 13 9	63 1/2	51 1/2	20 b	Nil a			
82 1/2	77 1/2	9 b	9 a	Union Discount £1	47 1/2	47 1/2	4 9 3	33 1/2	30 1/2	3 a	5 a			
				Westminster £4, £1 paid	81 1/2	81 1/2	4 9 3	6 1/2	5 1/2	17 1/2 a	11 1/2 b			
Insurance														
25 1/2	23 1/2	40 a	50 b	Alliance £1, fully paid	23 1/2	23 1/2	3 16 6	44 1/2	37 1/2	\$2.00 c	\$2.00 c			
12 1/2	11 1/2	4 1/2 a	6 1/2 b	Atlas £5, £1 paid	11 1/2	12 1/2	4 2 0	39 1/2	24 1/2	10 c	5 b			
88 1/2	79 1/2	2 1/2 a	1 1/2 b	Commercial Union £100	85 1/2	85 1/2	4 7 0	32 1/2	29 1/2	15 a	20 b			
26 1/2	24 1/2	10 1/2 a	10 1/2 b	Lon. & Lancs. £5, £2 pd.	25 1/2	25 1/2	3 17 8	98 1/2	85 1/2	12 1/2 a	7 1/2 b			
16 1/2	14	11 1/2 a	12 1/2 b	Pearl £1, fully paid	15 1/2	16	2 6 8 1/2	26 1/2	19 1/2	24 a	6 b			
15 1/2	13 1/2	6 1/2 a	6 1/2 b	Phoenix £1, fully paid	14 1/2	14 1/2	4 1 0	65 1/2	58 1/2	2 1/2 a	12 1/2 b			
27 1/2	20 1/2	15 1/2 a	15 1/2 b	Prudential £1 'A'	26 1/2	27 1/2	2 2 9 1/2	64 1/2	60 1/2	10 b	3 1/2 a			
8 1/2	7 1/2	11 1/2 a	19 b	Royal Exchange £1	8 1/2	8 1/2	3 15 0	83 1/2	70 1/2	5 c	10 c			
8 1/2	7 1/2	3 1/2 a	3 1/2 b	Royal £1, 12 1/2 paid	8 1/2	8 1/2	3 18 6	73 1/2	62 1/2	8 1/2 a	8 1/2 b			
6 1/2	5 1/2	15 1/2 a	9 1/2 b	Sun Life £1, fully paid	6 1/2	6 1/2	3 15 9	33 1/2	26 1/4	(d) 15 b	20 c			
Investment Trusts														
184	165 1/2	4 a	6 b	Debenure Cp. Ord. Stock	182 1/2	182 1/2	5 9 7	60 1/2	47 1/2	35 b	20 c			
182 1/2	158	4 a	6 b	Investment Trst. Def. Stk.	163	163	6 15 0	46 1/3	36 1/2	80 c	45 a			
155	150 1/2	3 a	7 b	Trustees Corp. Ord. Stk.	150 1/2	150 1/2	6 12 11	5 1/9	3 1/2	(j) 6 c	Nil a			
200	191 1/2	4 a	6 b	U.S. Deb. Cp. Ord. Stock	192 1/2	191 1/2	4 5 5	42 1/2	30 1/2	10 c	10 c			
Breweries, &c.														
151 1/3	138 1/2	11 1/2 a	15 a	Bass Ratcliff Ord. £1	148 1/2	150 1/2	2 13 3 1/2	40 1/2	34 1/2	11 1/2 a	9 1/2 b			
62 1/2	54 1/2	5 1/2 a	9 b	Courage & Co. Ord. £1	61 1/2	61 1/2	4 10 0	15 1/2	11 1/2	9 a	20 b			
77 1/2	71 1/2	10 1/2 a	11 b	D. & B. Ord. £1	71 1/2	71 1/2	4 6 1/2	16 1/2	11 1/2	5 a	5 a			
94 1/2	80 1/2	15 1/2 a	11 b	Guinness (Arthur) Ord. £1	91 1/2	92 1/2	5 2 9	7 1/2	6 1/2	6 1/2 a	5 1/2 b			
92 1/2	79 1/2	15 1/2 a	7 a	Ind. & Co. Ord. £1	87 1/2	87 1/2	5 2 9	7 1/2	6 1/2	2 1/2 a	5 1/2 b</			

July 18, 1942

(Continued from page 92)

Spinners and Manufacturers' Association and the trades unions concerned.

Domestic Poultry.—The Ministry of Agriculture has issued a leaflet which is to be distributed free by local food offices, entitled "Rations for Domestic Poultry Keepers: The New Scheme and How It Works." It contains a full summary of the details of the scheme, and in three sections answers questions which poultry keepers are asking or are likely to ask.

Meat Products.—The Minister of Food has made an Order controlling the manufacture and sale of manufactured meat products other than those in airtight containers which are already subject to the provisions of the Canned Meat and Canned Soup (Control and Maximum Prices) Order, 1941. The new Order, which incorporates the existing provisions of the Sausages (Maximum Prices) Order, 1941, in regard to sausages and sausage meat, limits from July 27th the varieties of meat products which may be manufactured and sold, and prescribes a range of meat content for certain of these products.

Toilet Preparations.—The Limitation of Supplies (Toilet Preparations) (No. 3) Order is to be renewed on August 1st for a period of five months, subject to two amendments. The first makes face powder

and talcum powder free from control for the time being, since the materials from which they are made are not in short supply. Manufacturers will not, however, have protection either for their labour or premises. The second amendment makes the quota 20 per cent, and excludes face powder and talcum powder from the standard period supply figures. For firms participating in concentration schemes the quota will be 50 per cent. From August 17th manufacturers will be required to put their names and addresses on all controlled cosmetics and toilet preparations manufactured by them.

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

	July 9, 1942	July 10, 1942	July 13, 1942	July 14, 1942	July 15, 1942
Crops	117.8	117.8	117.8	117.8	117.8
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	142.7	142.7	142.7	142.7	142.7

	Mar. 31, 1937*	Aug. 31, 1939	July 15, 1941	June 15, 1942	July 15, 1942
Crops	147.9	92.2	107.9	115.5	117.8
Raw materials	207.3	122.8	169.6	172.7	172.7
Complete Index	175.1	108.4	135.4	141.3	142.7

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	July 8, 1941	June 23, 1942	July 7, 1942
Cereals and Meat	93.0	66.9	94.6	109.0	115.0
Other Food	70.4	61.1	87.3	101.6	101.6
Textiles	74.2	54.3	95.3	95.2	95.2
Minerals	113.2	95.4	129.3	130.7	131.9
Miscellaneous	87.0	77.6	113.2	119.0	120.0
Complete Index	87.2	70.3	105.2	110.7	111.7
1913=100	119.9	99.8	144.8	152.4	153.6

* Highest level reached during 1932-37 recovery.

NUMBER OF FOOD PROSECUTIONS

	Prosecutions	Number Successful	Percentage Successful
Oct., 1939-Dec., 1940	10,598	10,043	94.8
Total 1941	29,329	27,475	93.7

	Prosecutions	Number Successful	Percentage Successful
May, 1941	2,537	2,410	94.9
June "	2,762	2,627	95.1
July "	2,846	2,679	94.1
August "	2,524	2,336	92.5
September "	2,501	2,280	91.2
October "	3,130	2,887	92.2
November "	2,400	2,228	92.8
December "	2,955	2,752	93.1
January, 1942	2,420	2,218	91.7
February "	2,670	2,535	94.9
March "	2,366	2,211	93.5
April "	2,487	2,323	93.1
May "	3,069	2,905	94.7

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIII No. 5162

AUGUST 1, 1942

REGISTERED AS
A NEWSPAPER

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As at 30th June, 1941:—General Bank Balances ... £130,752,179
Savings Bank Balances ... 150,555,865
Note Issue Department ... 77,144,818
Rural Credits Department ... 2,389,454
Other Items ... 19,795,546

£380,635,862

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Cawnpore	Madras	Nairobi
Chittagong	Mandala	Nakuru
Cochin (S. India)	Nuwara	Entebbe
Colombo	Ellya	Jinja
	Rangoon	Kampala

Dar-es-salaam Mwanza Tanga ... Tanganyika Territory.

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ASSETS EXCEED - £77,000,000
CLAIMS PAID EXCEED - £140,000,000
(1941 Accounts)

CITY OF JOHANNESBURG

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

NOTICE IS HEREBY GIVEN that in order to prepare the dividend due 1st September next, the BALANCES of the several accounts in the above-mentioned Stock will be STRUCK on the night of the 1st August and that on and after the 3rd August the Stock will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas),
C. D. ALCOCK, Manager.

Circus Place, London Wall, E.C.2. 8th July, 1942.

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A Grim Hour

THE Germans have broken the great curving line of the River Don. They are moving south into the coveted Caucasus and, although no crossing eastward has yet been forced, their armies are perilously near to Stalingrad and the Volga. More rich regions of coal and iron and wheat have been overrun. The main land links and supply lines of the Russian forces in the south have been cut or are closely threatened. To disguise the imminent danger would be blind and stupid.

It would be no less foolish to cry defeat. The Germans have been in Rostov-on-Don before, and they were beaten out. This time, the scene is very different from the awful spectacle of last summer, when the Germans tried with a single set of blows from the Baltic to the Black Sea to destroy all Russia's armies and to put an end to the Soviet regime. They failed before Moscow and Leningrad; they were held in the south; they were driven back in the winter, and could only cling to the key railheads and junctions and strong points, from which they might hope this summer to re-start their advance. No longer can their aim be to destroy the Soviet at a stroke. Russia has proved too strong to be slain, and Germany is now too weak to gamble on a coup de grâce this summer. The aim now is not to destroy but to cripple—to maim Russia,

so that the Red Army will no longer menace all that the Germans have won in Europe, and so that the German armies may be freed to face the vast onslaught which is in the making in the west.

It is still the strategy of one by one. Hitler turned on Russia last year in order to remove his main land enemy before the industrial power of Britain and the United States could be mustered and deployed against him. This is still his hope, to emasculate Russian might before the heaviest blow of all against the Nazi Empire can be struck. He has not been unsuccessful so far. The Russians were weakened, too, in last year's fighting. They suffered grievously in men and material and in the loss of land, industries, mines and foodstuffs. Their western network of railways was seized and held. To-day, when the German armies are moving forward to more and more distant places in the south, the Russians have not yet been able to mount a counter-stroke on the long line from Leningrad to Briansk. Plainly this is Hitler's greatest danger. All along the northern and central fronts, the Germans no longer have the strength to strike with the fury of last year; for months, Leningrad has scarcely been bombarded, and Moscow has not been bombed. The left flank of the advancing Germans is exposed and

lengthening; and the Russians have taken a heavy toll at Voronezh and in their fighting retreat from the Donetz to the Caucasus and towards the Volga. It may still be that the Russians will strike back in time. The armies of the south, who have avoided every trap, are still intact. It is already reported that resistance is stiffening, both on the Caucasian approaches and at the elbow of the Don. The counter blow may still come further north, at Voronezh or beyond, if the Germans over-reach their strength in the south. The Russians have many reserves.

But these are hopes and speculations. To-day, the Nazi star is in the ascendant. The new advances have weakened still more the striking and staying power of the Russians. In little more than a year (as the tables on page 145 show) the Russians have lost 6.4 per cent of their territory; 60 per cent of their iron; 50-55 per cent of their coal; 33.5 per cent of their wheat; and all the industrial equipment which it has not been possible to move back to the Volga and the Urals. The Russian war economy has been driven back to the Volga. The lateral railway from Rostov to Stalingrad has been cut. The Rostov pipe-line has been beheaded. The railway from Novorossisk to Stalingrad, which takes on Baku oil near Krasnodar, may be cut at any moment. If the oil of the Caucasus is kept intact, it must go by Astrakhan and the Volga to all the fronts, factories and farms in Russia's spaces. If the Germans can win and hold a line from Rostov to Astrakhan, they will lie across or menace every southern route for supplies to Russia. If they can snatch the northern oilfields of the Caucasus, they will win much more than a tenth of Russia's output, more oil than any source in German Europe now yields except Roumania. The great oilfields further south round Baku are still hundreds of miles away, and for Hitler to capture them would be a remarkable feat, after fighting on the grand scale through the mountains; but for him to rob the Russians of this oil, three-quarters of all the oil of Russia, by sealing up its outlets, would by itself be a great victory.

There the issue stands. The bid to chip away Soviet strength and sever Russia's arteries proceeds. Allied aid to the Russians in their struggle is menaced, not only by the thrust to the Caucasus and the Volga, but also by the bombing of Murmansk and the loss that is being inflicted upon Arctic convoys. There is no weakening in the fighting spirit of Russia; and the final battles have still to be fought. But Soviet resistance cannot subsist entirely upon the morale which is the wonder of the world. It is at bottom a battle of supplies. More and more, Russians are being forced to live upon their stocks of food and fuel—and, in some accounts, these stocks are immense. But whatever successes may still be won by the Red Army in its great defence, in the south, in the centre, or in the north, the stranglehold which the Germans are seeking to achieve must be beaten off and broken.

The challenge to Britain and the United States is to lend their aid before the worst can happen. Hitler's aim is to strike Russia down before the strength of America can redress the balance. America's aim must be to beat him in the race. This is well enough known by the statesmen who have the strategy of the democracies in charge. If it is impossible to intervene in force in the battle of Europe at this climactic, it is an index, not of unwillingness or unmanly caution, but of the unseeing years when the democracies stood weak and waiting while the enemy grew strong. For two years, Britain had to fight alone and unprepared; the United States has been at war for no more than eight months.

No elaborate argument is needed to see that if the Allies could attack with sufficient force in the west to draw off and defeat a large part of the Axis armies and air forces which are now ravaging Russia, it would be the master stroke. There is nobody who does not agree that, as soon as the right moment comes, the blow must be struck with all speed and every atom of strength; and for anyone to claim that the decisive thrust is being withheld because of ideological or other differences between the Soviets and their Allies is mischievous nonsense.

Right and Left alike, in both Britain and the United States, are equally eager to aid Russia to the fullest possible extent in the shortest possible time; no Englishman or American, of any creed, is prepared to risk the loss of the war, through the downfall of single-handed Russia, merely for the sake of an old political argument.

The question is not one of politics, but of possibilities. The bounds set to military enterprise by shipping are now seen. The need to win air mastery over the invaded coast is common talk. But the limits of British manpower, which for the best part of three years has been called upon to equip and man fronts all over the world, are ignored. Too often it is stated by advocates of an immediate Second Front that, say, four to five million British troops are standing idle. It needs no inside information to show how misleading such figures are. Perhaps so many men have been called up and trained. But the Air Force, the Navy and civil defence may well account for half the total; more than a million men have gone to the Middle East, to aid the Russians on the Caucasus line as well as to hold Egypt, to India and to key points and garrisons all over the world.

The troops at home include every variety of soldier, combatant, technical, supply, transport and ancillary; willy-nilly, too, the land and air forces were built up after Dunkirk primarily for defence; a large part of the home forces are engaged on anti-aircraft duties. Only part are the skilled and specialist shock troops needed to break into Europe. The possibility has to be admitted that there may not be a sufficient number of British troops in this country to draw off any appreciable proportion of the enemy's forces from the Russian front.

Calculations of this kind are necessarily very rough and ready; the margin of error is large. But it is certain that the picture of a great British army straining at the leash in the west. It is perfectly true that, if Russia is beaten down before Germany can be attacked in the west, victory will at the best be long-delayed and at the worst scarcely possible—with the old danger renewed of a German invasion of Britain. But it would not help if the troops in whose hands the defence of Britain still rests were first to be cast away. An unsuccessful attack on Europe would make the invasion of Britain still more probable; and the British base is vital as the springboard for air as well as land attacks on the enemy and for the deployment of American men and arms. Its loss or crippling would be the crowning disaster for all the United Nations, including Russia.

Western Europe must be invaded as soon as possible. But it does not seem likely, from the limited size of British manpower, and its immense industrial and strategic commitments, that the attack can start until a sufficient force of trained and equipped American troops is available to turn the scales decisively in numbers and in weight of metal. Ever since the fall of France it has been plain that American manpower, as well as American supplies, would be needed to tip the balance. America must be there. This may indeed be soon—very soon. No layman—and no German—can tell. But, until this Allied force is ready to strike, the course of action is clear. Material aid to the fighting Russians must be maintained at a peak. The air assault against German Europe must be made increasingly shrewd and increasingly severe. Finally, no effort must be spared to find, at an ever increasing rate, the shipping that is needed to nourish the great army of reconquest in Britain. It is not as a direct deterrent to the invasion of Europe that the shortage of shipping counts most. Shipping is the bottleneck through which the men, the weapons, the equipment and the supplies of the invasion force must pass; every needless shortcoming in the protection of ships at sea and every needless use of a single ton of shipping delays the hour when Russia can be succoured and Europe freed.

No mortal blow has been struck. Russia still stands and fights. The race is with the clock and the calendar. Will Russia's allies be able to go forward in time to grasp the destiny that Russian blood and valour still offer them?

Painless Prosperity?

THE shortest distance between two points is a straight line. One of Mr Cordell Hull's many qualities is that he knows this. Politically, he said last week, speaking of the world as it must be after the war, "some international agency must be created which can, by force if necessary, keep the peace among the nations"; economically, peace must be insured by free trade, by stable exchanges and by overseas investment. In more general terms, Mr Eden, who touched off the belated contribution of British speeches to the drafting of the post-war world, agrees: "each nation must live and work freely."

Too few people, public or private, recognise the obvious so readily as Mr Hull. Mr Eden himself speaks, in the current idiom, about "organising" full production, without making it clear that the really important task is not to impede it. Sir Stafford Cripps, too, talks about "regulating" the production and distribution of raw materials, without making it plain that the only reasonable aim is to maximise output, so that, under whatever conditions of regulation are devised, the price of raw materials will be no higher and the quantity for sale no less than would have been the case, over a period, in conditions of genuinely free enterprise. Organisation and regulation there must be, to banish the fluctuations, the wasted effort, the dislocation and the unfair and inefficient distribution which cursed the pre-war world. But both Mr Eden and Sir Stafford Cripps seemed to speak as if there were already enough of everything in the world for everybody—and it was just a matter of arrangement to make a brave new world for all. Mr Eden did mention "self-denial and sacrifice." But there was little talk of the toil and sweat and abstinence that will be needed in every country before it can earn, by its output and its productivity, its fair share of better things. Actually, the problem of production is nowhere near being solved. After the war, the governments of the world, in each country and in cooperation, will have to undertake responsibility for seeing that the conditions of economic progress and social security exist, and that investment, at home and abroad, does not fall below the level needed for full employment. But the post-war world will still depend for its prosperity on the skill of its workers, the enterprise of its traders, and the courage of its investors—not simply, as speaker after speaker seems to suggest, on this or that ingenious contrivance for better distribution; and the freer world trade and investment can be made, the fairer and fuller the distribution of the world's goods can be.

Sir William Jowitt, too, who is responsible for reconstruction in the British Government, is somewhat timorous of plain words. Rightly, he says that there is a

danger that nations in financial difficulties after the war will go back to trade restrictions, and that "generous help" must be forthcoming from other countries to avoid this error. The fact that generous help, after the first period of pure relief to distressed peoples, is a euphemism for overseas investment, involving abstinence first on the part of the investing countries and then on the part of their debtors, is too stark to be stated. Indeed, there are some people who will not admit this at all. Lend-Lease, for instance, is apparently regarded by some as the prototype of a perennial Christmas tree. One tiny group of business men is working out a theory of what is called "outright grant." Allegedly, this is an application of the principles of Lend-Lease to peace-time economic relations. It is based on the view that international debts cannot be paid without the dislocation of national economies. On the face of it, it seeks to make a principle of the fact that nations, like individuals, wish to have their cake and eat it. It presupposes a process of free gifts from countries like the United States to finance the development of other countries. Like so many of the schemes for post-war economy which are being devised, it is too ingenious to be ingenuous. When this country was the only creditor nation in the world, no schemes of this kind came from British sources. There was no magnification of the difficulty of paying debts. It was taken for granted that, if creditor countries were willing to open their markets, as Britain was, world debts could be discharged. There was no suggestion, as there is now, that capital receiving countries do not obtain an increase in their productivity and output, as a result of loans, to enable them, not only to pay their debts in goods, but also to pay for their other goods they need from other countries. As it stands, the doctrine of "outright grant" is a denial of the history of a hundred years. The whole process by which Britain was industrialised first and the American world was then transformed by British investment and British capital exports is made an impossible legend even though it happened.

There is much more danger in the present Heath Robinson approach to economics than there was in the much-maligned Robinson Crusoe approach of the so-called classical economist. Another plan, this time from America, is for "trade equalisation accounts," so that dollars will be made available to backward countries, to be matched by equivalent sums in their own currencies, which will lapse after two years if the United States is not ready to convert them into imports of goods or services. The intention of the scheme is admirable—to equalise international accounts at the highest level of trade and to lay upon the creditor the obligation of taking payments in

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goods, instead of laying upon the debtor the obligation of restricting imports to secure a favourable balance of payments. But the method is baroque and rococo. If there is the freest possible exchange of goods, services and capital between the nations, it will work; if there is not, it will not. It would be more straightforward and more helpful to regard the object of policy as being simply the smoothest possible transfer of goods, services and capital without multiplying these complicated means to secure the end by a by-wind. American plans for progress which do not admit the need to reduce tariffs are as open to suspicion as British plans for prosperity without payment of debts.

The time has surely come for a plea for simplicity and directness in projects for post-war economy. It would perhaps be unfair to assume, say, that the theory of "outright grant" is born of the fact that post-war Britain may owe more than is owed to it; or to suggest that British industrialists are in favour of a vast economic defence system in depth after the war because they are afraid of American competition. Nevertheless, these are inevitable inferences from all these elaborate devices. In the twentieth century, as in the nineteenth, world economic progress and the standard of living of every nation depends in actual fact upon the fullest possible production, the fullest possible trade and the fullest possible investment. It is by investment that output and commerce are sustained; they are not enemies but allies. The vast industrial capacity of the United States today was founded by British investment; and it was from that capacity that British investors in American development were paid. The same will be true tomorrow of other countries as it was yesterday of the United States. There may indeed be a case for saying that war debts, which may not increase the peace-time productivity of the debtor country at all, create no proceeds from which they can be discharged. But there is none, in the light of history and of common-sense, for saying that normal international investment, upon which the post-war future of a large part of the world must depend, comes in the same category. The proper object of post-war economic policy, as Sir William Jowitt said last week, is to raise standards throughout the world; and only by the restoration of long-term international lending can this be done. It is the view of the baroque economists that this is impossible. Creditors, it is argued, cannot be expected to adjust their prices and costs and tariffs to receive payments; debtors, it is affirmed,

cannot be expected to adjust their economies to make possible the payment of their debts. If this is true, no ingenious devices can save the future; the result is anarchy or autarky—or both. It was not impossible in the past for free trade Britain to receive payments from its debtors. Nor is there any reason why debtor countries should not be ready to engage in precisely the same degree of abstinence to meet their foreign obligations as would be required to make possible the same amount of investment from domestic sources.

The truth is that too many people are searching for the soft option, for a world in which lenders will lend and borrowers will not repay, in which sellers can sell and need not buy in return. Mr Eden's call last week to "self-denial and sacrifice" was no mere phrase. If Englishmen are preparing for a world in which the United States is Santa Claus, then England is lost. What is needed, on both sides of the Atlantic, is more talk about enterprise and efficiency and expansion, and less about guarantees, much more emphasis upon adaptability to changing technical and market conditions and much less emphasis upon protection and safeguards. The standard of living of any country is measured by the productivity of its people; and the conditions laid down by Mr Cordell Hull—free trade, stable exchanges and overseas investment—are essential to raising standards everywhere. It is the necessary duty of every country, in whatever kind of post-war world may emerge, to pursue the policies which are most likely to bring about, at one and the same time, domestic and international equilibrium. The pernicious doctrine is abroad that, while political sovereignty must be abated to secure the rule of law, economic sovereignty can be raised to the nth power to protect national standards of living. This doctrine is not only full of peril for the world; it is also quite impossible of achievement. Mr Eden has said that "Americans can be sure that we shall be ready to meet and work with them all the time and all the way." If this means anything, it must mean collaboration between the nations, not to "regulate" trade and output, but to expand them, not to protect this or that national claim, but to multiply the world's stock of goods and services to the utmost. Prosperity, like peace, must be founded upon Mr Hull's "free trade and investment," and on a process of give and take, which will involve great changes in the set ways of every nation.

Wartime Incomes

THE income tax is the most efficient, flexible and forthright of the instruments yet devised for transferring the income of individuals to the state. It can be inserted at any point in the ascending layers of personal incomes, merely grazing the bottom layer, but cutting ever more deeply as it approaches the top layers; it is scrupulously fair in that it does not discriminate between persons with like incomes and similar family responsibilities; it has long been the most important single source of taxation in Great Britain. Although its contribution to total national expenditure has declined from 37 per cent in the last pre-war year to 18 per cent in 1941-42, it still produces more than two-fifths of the total revenue from taxation which rose from £896 millions to £1,962 millions during this period. This has inevitably involved a reduction in the exemption limit and a drastic increase in rates of income and surtax. The implications of these measures, and the changes in the size of individual income

categories since the outbreak of war, are revealed in Table I which was given by Captain Crookshank, Financial Secretary to the Treasury, in the House of Commons on Thursday last week.

The number of individual incomes reviewed for taxation showed an impressive increase between 1938-39 and 1941-42, from 9,800,000 to 15,000,000; this means that one in every three members of the population, including women and children, was in receipt of an income above the exemption limit in the past financial year. The increase in the number of persons actually liable to pay tax was even more marked, rising from 3,800,000 to 10,500,000; two out of every nine persons had to pay income tax last year. The reasons for this increase are twofold. First, the net of the tax has been widely cast by the reduction in the exemption limit; secondly, the number of incomes in the lower categories has shown a remarkable increase as a result of the growth of the national income. As interesting as the overall increase in the number of persons assessed for, and liable to pay, income tax, is the change in the size of the various income groups. The biggest increase has taken place in the lowest income categories. The number of individual incomes between £125 and £250 a year rose from 7,250,000 to 9,200,000; those between £250 and £500 rose from 1,750,000 to 3,500,000; the size of the £500-£1,000

group increased from 500,000 to 685,000, and that of the £1,000-£2,000 group from 195,000 to 210,000. But here the increase suddenly stops. Indeed, as the table shows, the number of incomes in excess of £2,000 a year in 1941-42 was precisely the same as in 1938-39. Even the numbers of the individual income groups above £2,000, taken to the nearest 100, is shown unchanged.

This analysis of the changes in numbers of taxpayers and in the size of individual income groups between 1938-39 and 1941-42 throws further light on the redistribution of the increased national income during this period. Almost all the increase has gone into the lower income layers; a little has percolated to the £1,000-£2,000 income group; but none of it appears to have reached the higher levels. These facts strikingly confirm the impression given by *The Economist's* analysis of industrial profits and by the Ministry of Labour's inquiries into the earnings of workers.

The redistribution of the national income, the reduction in the income tax exemption limit, and the increase in the rates of income tax and surtax, have profoundly affected the incidence of personal taxation. The combined effect of these three factors is summarised in Tables II and III, which are based on the figures issued by the Financial Secretary to the Treasury. The contribution made to the total amount of income tax payable by the four income groups in 1938-39, and in 1941-42, is shown in Table I. The total amount payable rose from £310 millions to £835 millions, and there was an increase in the actual contribution made by each of the four groups. But the change in the proportionate contribution made by those groups varied in inverse ratio from the lowest to the highest levels. The under £500 group contributed nearly a third of the total last year, or more than four times its share in 1938-39. The share of the £500-£1,000 groups was only slightly higher than three years before, and the proportion of the total contributed by the

higher income groups, on whom previously much the heaviest burden of direct taxation had fallen, showed a decline which is very marked in the over £2,000 category. The explanation is to be found, of course, in the redistribution of the gross national income in favour of the lower income groups, and in the fact that many individuals in these groups have been called upon, for the first time, to share the burden.

Equally interesting is the change in the proportion of the gross income in each of the four income categories which is sliced off by income tax and surtax. This is shown in Table III. The increase in the contribution of each group again varied in inverse ratio with the level of income. The proportion subtracted from the under £500 group by direct taxation has been increased eightfold; the percentages taken from the £500 to £1,000, and from the £1,000-£2,000 groups, have been more than doubled; but the increase has been less marked in the over £2,000 group, which was already heavily taxed before the war. The lower and middle income groups have been called upon to make a much heavier contribution.

Significantly, as is shown in Table I, the total amount of non-personal incomes assessed for income tax—mainly company reserves—actually declined between 1938-39 and 1941-42, from £340 millions to £300 millions; after allowing for taxation, the net amount was reduced drastically from £250 millions to £155 millions. The combined effect of EPT and the higher level of income tax has thus markedly diminished the capacity of industry to accumulate reserves.

The outstanding features of these statistics are their revelation of the extent of the redistribution of personal incomes in favour of the lower income groups, and of the use of the instrument of the income tax as a means of speeding this tendency, and of spreading the cost of the war as widely and as fairly as possible.

TABLE I.—INCOME TAX AND SUR-TAX

Estimates of (i) Nos. of Individuals above the exemption limit (ii) Amount of income assessed to tax (iii) Total tax assessed for the Full Years 1938-39 and 1941-42

Range of Total Gross Income	Full Year, 1938-39				Full Year, 1941-42			
	No. of Individuals		Amount of Income Assessed	Total Tax	No. of Individuals		Amount of Income Assessed	Total Tax
	Not paying Tax	Paying Tax			Not paying Tax	Paying Tax		
Exceeding £110*	—	—	£m.	£m.	—	—	£m.	£m.
Not Exceeding £125†	5,500,000	none	1,750,000	1,750	7,000,000	600,000	150	2
250	500,000	1,250,000	590	18	3,500,000	5,700,000	1,600	100
500	—	500,000	350	40	300,000	3,200,000	1,215	168
1,000	—	195,000	270	47	—	685,000	455	125
2,000	—	46,500	113	26	—	210,000	300	115
3,000	—	32,000	122	35	—	46,500	113	48
5,000	—	18,500	125	46	—	32,000	122	75
10,000	—	6,600	98	47.5	—	18,500	125	75
25,000	—	1,000	34	20	—	6,600	98	47.5
50,000	—	300	20	13	—	1,000	34	20
100,000	—	100	18	12.5	—	300	20	13
					—	100	18	12.5
Total individuals	6,000,000	3,800,000	3,000	310	4,500,000	10,500,000	4,250	835
Non-personal (mainly Companies reserves)	—	—	340	90	—	—	300	145
			£m.				4,550	980
			3,340	400				

* The exemption limit for Income Tax was £125 for 1938-39 and £110 for 1941-42.

† No information available because incomes below the exemption limit (£125) were not reviewed for Income Tax purposes.

TABLE II.—INCIDENCE OF TAXATION ON INCOME GROUPS

Income Group	1938-39			1941-42		
	No. of Incomes subject to Tax	Tax Payable	% of Total Tax	No. of Incomes subject to Tax	Tax Payable	% of Total Tax
Under £500	000's 3,000	£000,000 23	% 7.4	000's 9,500	£000,000 270	% 32.4
£500-£1,000	500 40	12.9	685	125	15.0	17.9
£1,000-£2,000	195 47	15.2	210	115	13.7	16.7
Over £2,000	105 200	64.5	105	325	38.9	46.9
Total	3,800	310	100.0	10,500	835	100.0

TABLE III.—INCIDENCE OF TAXATION ON PERSONAL INCOMES

Income Group	1938-39		1941-42	
	Total Income Assessed for Taxation	% Taken by Income and Surtax in each Group	Total Income Assessed for Taxation	% Taken by Income and Surtax in each Group
Under £500	£000,000 1,850	% 1.2	£000,000 2,965	% 9.1
£500-£1,000	350	11.4	455	27.5
£1,000-£2,000	270	17.4	300	38.3
Over £2,000	530	37.7	530	61.3
Total	3,000	—	4,250	—

The weekly AMERICAN SURVEY (on page 139) includes the following items:

The Arsenal in Action
The Primaries Continue
BEW at Work
The Rubber Tangle

NOTES OF THE WEEK

Between Two Battles

After a four days' battle inside the burning walls of Rostov the city has been surrendered, and the battle of the Don has actually come to a close. Superiority in both tanks and aircraft has brought von Bock his latest success. Marshal Timoshenko's armies have all the time had to rely mainly on their artillery, which has done wonders in slowing down the German advance. The next stage—after the battle of the Don—is the battle of the Caucasus and the lower Volga. The interlude between these two great battles is filled by manoeuvring for bridgehead positions across the Don. It is difficult to say whether it was Marshal Timoshenko's hope to establish a solid defence line on the southern bank of the Don. In any case, the tactical value of rivers and similar natural obstacles has been greatly reduced by the technique of this war. The struggle for the river crossings has reduced the tempo of the German drive south and east; but it can hardly stem it altogether. German casualties have, no doubt, been very heavy in the duel between the German pontoon units and the Russian defenders on the southern bank. Throughout the week the Germans have been engaged in the typical search for the "weak spot." This they seem to have found at Bataisk, a few miles south of Rostov, on the Rostov-Krasnodar-Novorossisk railway. A push along that line might bring them dangerously near to the Maikop oil district. But a narrow break-through at the Rostov end of the Don is not enough. A crossing "along a broad front" is needed to secure the flank. The German High Command, in fact, claims to have effected this in the Tsimlyanskaya sector, and to have reached the region of the Don's two tributaries, the Sal and the Manych. Russian and neutral reports, however, do not corroborate the claim. In the easternmost part of the Don elbow at Kalach, situated opposite Stalingrad, near the Volga-Don canal, no crossing has yet been secured by the Germans; and, because of the difficult terrain, it would still take some time before Stalingrad itself could be attacked. The new feature of the week's fighting has been the bombardment of various points on the Volga. Not only Stalingrad in the south, but even Saratov, some 200 miles to the north, is said to have been subjected to air attacks. The fighting in the Voronezh area has been inconclusive. The hopeful feature of the position is that even the Germans make no extravagant claims, which were customary last year, about big numbers of Russian prisoners. This points to the fact that Marshal Timoshenko's forces are retreating in good order; and important reserves are probably being kept in readiness for action.

The Great Debate

It is a long step forward that, one after another, British Ministers have taken up the challenge set by the recent constructive utterances from across the Atlantic.

We must either build an orderly, law-abiding international society in which each nation can live and work freely . . . or we shall all be destroyed in a welter of barbaric strife.

Thus Mr Eden.

At the end of the war, the United Nations must undertake international regulation of the production and distribution of essential raw materials, both in the interests of the immediate rehabilitation of devastated countries, as well as with a view to attaining a steadily rising standard of living throughout the world.

Thus Sir Stafford Cripps.

We want collaboration between ourselves and the United States to go on after the war, but it must not be exclusive collaboration . . . We must raise the standard of living throughout the world, beginning with nutrition.

Thus Sir William Jowitt. The ground is now ready for the next and most important step, which is to translate precept into practice—and, in particular, to face the solid political problems which, on both sides of the Atlantic, make these aspirations still somewhat remote from reality. Mr Cordell Hull, the latest of the American spokesmen, is not afraid to grasp nettles:—

We are forced to fight because we ignored the simple but fundamental fact that the price of peace and the preservation of right and freedom among the nations is the acceptance of international responsibilities.

American isolation is thus denounced. But there are other simple and fundamental facts. There is the American tariff; there is, on this side of the Atlantic, the paraphernalia of tariffs, quotas and Imperial preferences. There are too many people, in both Britain and the United States, who believe that, after the war, it will be possible to go in two directions at once—to maintain all the marks of economic nationalism and to secure at the same time all the benefits of international co-operation. Until the practical means to achieve the vital ends stated by American and British statesmen have been considered, and until it is realised that successful international co-operation, in any sphere, is impossible without a radical readjustment of national policies, the so-called realists will be right when they say that such speeches are only words. Actually, these speeches are much more than words. They are, or can be, the voice of a great awakening—but only if it is realised, in every practical and political detail, that the goal can only be reached by the frankest exchange of problems and the freest possible exchange of goods, services, capital and people between all the nations of the world, without regard to the "national monopolies" which Sir Stafford Cripps denounced last week-end.

Equal Terms

The fact that increasingly large bodies of Allied troops will be stationed in this country in coming months has two economic aspects—one physical, the other financial. As was pointed out in *The Economist* last week (on page 102), American standards of accommodation and victualling, which are appreciably higher than British standards, must mean a considerable demand for extra shipping, materials and supplies. The financial effect is more controllable. American troops, apart from differences in living standards and diet, are paid more than British troops; basic pay for a private, not counting allowances, is something above £100 a year. Multiplied by the number of American troops who will be in this country in a comparatively short time, this will represent a large addition to total purchasing power here—as it would be, indeed, even if American and British pay were the same. But the total amount of unrationed goods and services available for purchasing by all soldiers and civilians in this country will grow smaller rather than larger. The net effect is likely to be a scramble for goods and services with American troops and British civilians the highest bidders and British troops the hindmost. In theory, at least, it would seem that some degree of equalisation in purchasing power is called for. It is true that there has, so far, been a signal failure in this country to work out and apply a rational wages policy; but it should not be beyond the wit of the British and American authorities to work out a three-point programme. First, the long-delayed policy to restrain wartime increases in civilian purchasing power might be devised. Secondly, the purchasing power of British troops might be brought nearer to the level of British civilians and members of the American forces, with perhaps some stop on the proportion that could be spent currently. Thirdly, the amount of American pay which can be spent in this country might be brought nearer to the British level, with the balance left available to spend in the United States.

Behind Closed Doors

There was no debate in the House of Lords this week on air strategy. At the last minute, the Government decided that the debate would need to be in secret session, and it has been postponed. This is not the first last-minute decision of this kind. It was only at the eleventh hour that the Government decided that the recent shipping debate in the House of Commons could not be held in public. Apart from the odd vacillation which causes the Government to say, first, that discussion can be open, and then that the same discussion can only be held *in camera*, it is probably time that the whole question of secret debates was reconsidered. There is one solid argument in favour of secret sessions, namely, the necessity for keeping information from the enemy. But even this argument is not perhaps so strong as it seems. It is very hard to see what

can be said to hundreds of M.P.s or scores of peers that could not equally well be said to the millions outside, or, conversely, to see how the Government can possibly reveal to Commons or Lords facts which must not leak out. Neither M.P.s nor peers are, every man jack, models of discretion. Actually, the real argument for secrecy on recent occasions has probably been rather different. The Government's contention is that it cannot defend itself against criticism without either being indiscreet itself or letting its cause go by default. This cannot simply be a matter of secret information, which ought not to be put into the hands of Parliament in any case. It is probably rather a question of inter-allied susceptibilities. The British Government cannot publish facts in which the American Government has a prime concern. The remedy is surely not secret sessions, but more public frankness between the Allies. As it is, Britain and the United States are well out of step in the information they put out about the war. If they were in closer unison in this matter, debates in Parliament might well be less fettered.

The Atlantic Link

The integration of British and American war production proceeds. The growing numbers of American troops in this country makes the completest possible pooling of industrial facilities, as well as of weapons and equipment, more urgent than ever. In June, a Combined Production and Resources Board was set up in Washington. This week, a parallel board has been set up in London, made up of Mr Lyttelton (with Sir Walter Layton as his deputy) and Mr Harriman, representing Mr Donald Nelson. Its task will be to consider the best joint use in the combined Anglo-American production programme of British productive resources; and the supply of British munitions to the American forces in this country will come within its scope. Two other Combined Boards, set up at the beginning of the war, have their being in London as well as in Washington—the Munitions Assignment Board and the Shipping Adjustment Board. Plainly the final power of decision in all matters affecting the disposal of British or American resources must still remain with the respective Governments; but the work done by these Combined Boards, with the Combined Chiefs of Staff Committee in Washington, in translating their decisions into terms of specific allocations of industrial facilities, shipping and finished munitions is indispensable to the making of common programmes and a common effort.

French Resistance

The Fighting French in London have received an impressive reinforcement in the former Socialist Deputy for Lyons, M. André Philip, who was professor of economics at Lyons University. M. Philip, with two years' experience of a France split between the Germans and Vichy, brings encouraging news of the growth, not only of active antagonism to the Germans, but also of the rising conviction that Nazi domination must be fought at any price. Gone are the days of *il faut en finir*. The Fighting French outside France can now move in step with popular resistance at home. On the subject of how to support, encourage and canalise this resistance, M. Philip's experience gives food for thought. There is a danger that French hostility to the invaders and to the collaborationists will spend itself in hopeless, wasteful gestures. Effective direction of the French underground movement requires that resistance shall be brought to a climax when, and only when, an Allied invasion of French soil can bring military aid. Careless discussion of Second Front strategy, by raising hopes and straining nerves, is a disservice to French resistance; a miscalculated and unsuccessful military adventure on the Continent might be disastrous. Nor should it be forgotten that the force which inspires French resistance is the determination that the French themselves shall, with Allied help, throw the invader back. When the day does come, it will be the belief that France is undoing its own defeat by its own efforts that will rouse French zeal to the highest pitch.

Coincidence?

"The question whether the Petroleum Board should make use of independent consultants or of facilities outside those belonging to the companies associated with the Petroleum Board is, in the view of the Secretary of Mines,

a matter which the Board must decide." On the face of it, the practice of industrial feudalism in wartime has seldom been so frankly admitted as in this quotation which is stated, in a memorandum prepared by a well-known technologist, to come from a letter from the Petroleum Department of the Board of Trade to an independent firm of petroleum consultants. A later chapter in the story is that this particular firm has been obliged to go into voluntary liquidation for lack of business. It was established in the twenties to do research and advisory work for the smaller and independent oil companies, and until war broke out performed the same functions on behalf of these companies as are performed for the large petroleum combines—Shell, Standard Oil and Anglo-Iranian—by their own laboratories. The firm was responsible, not only for the larger part of the technical work done on behalf of the independent concerns, but also for the construction of most of the independent non-combine refineries in the consuming centres of Europe. When the war broke out, the Petroleum Board, which is, in make-up, an association of the major combines and includes only one member to "speak" for the independent companies, was set up under the direction of the Petroleum Department to bring the resources of all importers and distributors of petroleum products under centralised control. It was assumed, rather rashly, perhaps, by the firm of consultants, which has now gone to the wall, that it would be permitted to carry on some part at least of its technical work for the smaller independent companies. From the start, however, the Petroleum Board could not see its way to using the firm's services, and the firm's former clients, most of them taken over by the pool on the outbreak of war, were not permitted to use them. The position now is this. Before the war, there were four large petroleum laboratories in this country, equipped and staffed for chemical and engineering research, three belonging to the large oil groups and one working for the independent companies both in this country and in Europe. Now there are only three such laboratories; the independent laboratory has gone. Undoubtedly, there is another side to the story. It may very well be that wartime exigencies have required a concentration of technological activities. Nevertheless, it is a strange coincidence, and one which must arouse some misgivings, that the laboratory which has been put out of business is the one which enabled independent oil concerns to do business on the same technical footing as their larger competitors. Whatever the rightness or wrongness of the decisions which have led to this result—and no layman can judge fairly on the technical issues involved—it certainly seems that the decisions have been taken in conditions which have afforded no guarantee of impartial treatment. Without a full statement from the Government, it would not be reasonable to impute error, and still less malice, to the Petroleum Board. But it is apparently a fact (as the stated view of the Petroleum Department, quoted above, shows) that the major companies associated with the Petroleum Board have been made, with Government support, judges in their own cause—and in this instance, it so

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happens to their own ultimate benefit. At the least, there should be some public explanation from the Petroleum Department as well as from the Petroleum Board.

York or Plaza Toro?

The Retail Trade Committee's plan for the concentration of the non-food section of the retail trade, discussed in *The Economist* on July 4th, was debated in the House of Commons last week. Mr Dalton opened the debate with a review of the problems facing the trade, and of the difficulties in the way of any attempt to reconcile the demand of the war effort for labour with the need for maintaining sufficient retail outlets, and for avoiding hardship. Hostility to the plan is expressed by the co-operative movement (though not by the representatives of the National Union of Distributive and Allied Workers), and by the National Chamber of Trade, in whose view the real problem was not how to facilitate withdrawal, but how to keep the small trader in business—a fantastic misconception of the wartime issue. Neither the Retail Distributors' Association nor the Multiple Shops' Federation considers that the scheme offers a satisfactory solution. Their view is that the benefits would go to landlords and mortgagees, and not to traders—a view which has some slight validity. The Association of British Chambers of Commerce, though divided, is, on the whole, opposed to the plan; the National Pharmaceutical Union, the Company Chemists' Association, and the associations of newsagents, tobacconists and confectioners are all bitterly opposed, arguing that they should not be regarded as part of the retail trade, and should be allowed to contract out. The Drapers' Chamber of Commerce is one of the few organisations which has given its qualified support to the plan. In the face of such a body of hostile opinion, Mr Dalton has decided to think again, which probably means that the plan has been killed. Once again, the Government is apparently making ready to retreat. As with coal, so with retail trade—and Dr. Dalton has played a leading role in both withdrawals. Whether the Duke of Plaza Toro, who found it less exciting to lead his army "from behind," is a better parallel for the President of the Board of Trade than the good old Duke of York, who marched his men "down again," is an open question. The matter cannot be allowed to rest. It would be pusillanimous to a degree if the Government were to defer to the army of trade associations, regardless of the need of the war effort for men, and for the rationalisation of distribution—and regardless of the unknown shopkeepers, who will simply continue to be pushed out of business by war conditions without even the small aid promised by the plan. The plan has many faults. A much better one could be produced, which would concentrate and compensate on fair and efficient lines. Perhaps Dr. Dalton has this in mind. Probably, and shockingly, he has not.

Nearly Two-Thirds

Britain has now entered the period which Mr Lyttelton has described as the most dangerous since the Battle of Britain, and it is now fully realised that the peril lies in the heavy losses among ships carrying food and supplies to this country. Yet the debate on the estimates of the Ministries of Agriculture and Food seemed completely lacking in any sense of urgency. This attitude is presumably due to the apparent absence of any food shortage. It is a long time since any rations were reduced, except for minor variations in the points scheme. On the contrary, the cheese ration has been doubled; milk is plentiful; syrup and treacle have been taken off the preserves ration and put on the points scheme; there are strong rumours that the preserves ration itself will shortly be doubled; an extra pound of sugar is being given this month for jam-making; there is a glut of cherries; new potatoes are plentiful and cheap; fish is more easily obtainable than for some time; dried eggs have been put on the market. It is hardly surprising, therefore, if the public, and consequently Members of Parliament, are apt to think that there is no danger to its supplies of food. There have been danger signals; domestic poultry keepers have had to surrender shell egg registrations in order to obtain rations of meal for their hens; the public is being exhorted to eat home-grown potatoes instead of bread. The present abundance, in fact, reflects the time of year and favourable weather rather than that food supplies are assured. Credit is certainly due to the Ministry of Food, not only for the success of its rationing schemes,

but also for its wider handling of the food situation. But neither this nor the considerable achievements of British agriculture will be enough unless the U-boat menace is countered. Mr Hudson spoke of an increase in the wheat acreage in England and Wales of 600,000 next year, a 10 per cent increase in the potato acreage, and a further expansion in vegetables, and he stated that milk production in the first six months of this year was 10 million gallons more than on the pre-war average, and 13 million gallons more than in 1941. He also said that nearly two-thirds of the country's food supplies is now produced at home. Nevertheless, these favourable statistics should not blind the public to the fact that it is the remaining third which is the most important, for upon its maintenance or loss the country will live or die.

An Opposition Vote

Even the Government is not content with its own proposals to assist necessitous pensioners. To the Labour request on Wednesday (when the new Draft Supplementary Regulations for old-age pensioners were debated) for a specific assurance that further measures would be introduced next session, Mr Bevin replied in general terms that "reasonable provision" would be made; the matter would come up again, he said, when the Beveridge report on the social services was available. The leader of the Labour Party, Mr Greenwood, was satisfied by this assurance. But a majority of the Labour members present were by no means satisfied. Sixty-three votes were cast against the Government, the biggest opposition vote in the life of Mr Churchill's administration. Actually, the votes should rather be described as having been cast against the Labour members of the Government. It is widely held by Labour men that Mr Attlee, Mr Bevin, Mr Morrison and Dr Dalton do not stand up firmly enough, in the Cabinet, for the social causes they should especially speak for; and, in the case of old-age pensions, the conviction that pensioners should be given a higher income, as of right and not by way of alms after tests, is shared by people of all political opinions.

The Efficiency of Labour

In some quarters it was thought that in presenting the Ministry of Labour estimates last week, Mr. Bevin should have given a review of manpower policy rather than the more restricted topic of the work of the Factory Department, which was transferred to his Ministry from the Home Office in June, 1940. But it is easy to see why Mr Bevin chose this subject. Manpower policy is not now a matter at issue. There is little that can now be done to find new sources of labour; it only remains to hasten the comb-out of non-essential trades, and to make the most efficient use of labour in all occupations—civil and military, skilled and unskilled, professional and business alike. It is with this latter object in view that the work of the Factory Department becomes important, because some of the chief factors that detract from the efficiency of labour are sickness, accidents and bad working conditions generally. Mr Bevin rightly claimed credit on behalf of the Department for the big advance that has been made since the war in all that is loosely summed up in the word welfare. The new Factory and Welfare Board acts as an advisory body in this connection, and itself obtains advice from the Industrial Research Board, the TUC, employers and others experienced in this sort of work. But Mr Bevin dealt too superficially with the question of accident prevention. From the point of view of first-aid and medical supervision, progress has certainly been made, though even now the number of wholtime works doctors is only 150, and part-time 550. It is, however, the prevention of accidents which should be more effectively tackled, because, as Mr. Bevin himself said, they are "one of the greatest hindrances and delays to good production." Hitherto, the Ministry of Labour has relied mainly upon propaganda; even its own inspectors have found themselves to a certain extent helpless, because "you cannot by the best devices in the world draft regulations to cover everything." The fundamental treatment of accident prevention would, it is true, involve embodying it in workmen's compensation, and placing it on an insurance basis, and it will without a doubt be argued by the Ministry of Labour, with monstrous iteration, that the Beveridge Report must be awaited first, and that in any case a comprehensive scheme of reform cannot be attempted in wartime—when the need for it is most urgent.

Overseas Conscription

From time to time since the beginning of the war, the Government has been asked whether it could call up for military service British subjects living overseas, especially those in the United States, and the answer has always been that there were no powers for doing so. By the National Service (Foreign Countries) Bill, which passed through all its stages in the House of Commons this week, those powers will be granted. On the face of it, this seems an entirely logical step—British subjects should have the same obligations wherever they reside—but it raises interesting questions. There is, first of all, as Mr Aneurin Bevan pointed out in the second reading of the Bill, the distasteful possibility that it abolishes the idea of sanctuary. If the British Government can stretch out its arm to its citizens abroad, then other foreign governments may claim the same power over their citizens in this country after the war is over. There is, further, the difficult question, also brought up in the debate, whether the application of conscription by a belligerent in a neutral country will constitute a breach of neutrality. The Attorney-General thought that it would not, but it might, for instance, easily raise an important issue with the Argentine Government if it were decided to apply the Act to Argentina. To begin with, it will only apply to Egypt, which is only technically neutral, and where a large British army already exists; and it will be applied to other foreign countries—but not the Empire—by future Orders-in-Council if necessary. It is not, however, proposed to interfere with the present arrangements with the United States, under which British subjects of military age join the United States army if they do not enter a military or other service approved by the British Government. The procedure in Egypt is also interesting. Since the aim of the Bill is to apply all the National Service Acts *in toto*, those affected will have rights as well as obligations—in particular, the rights of deferment and of conscientious objection. The machinery for calling up will be under the control of the British Ambassador—not, it is interesting to note, the Minister of State. To advise him there will be a central board, consisting of a lawyer, a military representative, and two civilians, one of whom will be a woman. There will also be three local boards which will consider problems of deferment and so on, but there will be a right of appeal to the central board. Independent tribunals will also be established for conscientious objectors. The most difficult question, of course, will be how to enforce the measure, since no British courts for the purpose exist. It is, therefore, proposed that persons who fail to respond to the enlistment notice will be arrested as deserters, which will involve the co-operation of the local police.

Scandinavia

Discussion of the future of Scandinavian foreign policy has lately taken a somewhat polemical turn. The chief difficulty which confronts all supporters of regional federation is already becoming evident—the territorial definition of suitable groups. Probably the difference of emphasis shown in the recent press controversy between Norwegian and Swedish spokesmen will prove to be more apparent than real. The enthusiasm in certain Swedish circles for a close form of Scandinavian co-operation after the war has evoked a statement of the Norwegian attitude in *Norsk Tidend*, the only Norwegian paper published in London. This statement, which suffers from condensation in the form in which it was published in the British press, drew attention to the dangers of Scandinavian federation and to the interest which Norway, as an Atlantic power, now has in closer ties with Britain and America. Many Norwegians feel the necessity of military guarantees for the security of Norway's long Atlantic coast-line and do not believe that any Scandinavian bloc, however well organised, would be able to resist successfully the assault of a great Power. It is too early to forecast the attitude of Sweden after the war. But there is no reason to suppose that Sweden will wish to be "neutral" in the peace. The fact that the success of Swedish neutrality is largely accidental and that, in any future war, neutrality could not possibly be relied on to succeed, cannot have escaped notice in Sweden. Almost certainly Scandinavia by itself cannot ensure its own territorial integrity—the military problem which Denmark provides is nearly insoluble—and support from the great Powers is probably essential. The greatest living Canadian editor once wrote that "the British Empire cannot exist, except within the framework of a world-wide system of collective

security." This is even more true of Scandinavia. There is no contradiction between Norwegian participation in a trans-marine Atlantic bloc and Norwegian co-operation with a Scandinavian unit pledged to play a positive part in maintaining world peace. Norway borders on two regions, the Atlantic fringe and the Scandinavian region, and must serve as an essential link.

A Case of Breach

Mr Kendall, the "Production for Victory" Independent M.P. for Grantham, who was described in the press at the time of the by-election as "the man to focus attention on inadequate war production" and who boasted in his election speeches of his own "high sense of responsibility," has run into troubled Parliamentary waters. The statement which he issued this week, implying that the Public Accounts Committee Report on the British Manufacturing and Research Company, of which he is managing director, was "an inspired criticism," was, not unnaturally, regarded as a breach of privilege, and he was obliged to apologise to the House on Tuesday. The statement itself did not provide a satisfactory answer to the Committee's criticisms, and (as described by the Committee) the record of the firm, though admitted to be a highly efficient concern, in first haggling over the price, and then exacting too high payment from the Ministry of Aircraft Production and in refusing access to its books, is not, perhaps, calculated to inspire complete confidence. The answer of the chairman, Lord Ashfield, in defence is that all this took place before he became associated with the company in June, 1940. The Ministry of Aircraft Production does not come too well out of the matter. Not until March 24, 1942, did it issue directions under the Industry (Records and Information) Order to obtain and inspect the books of the company, though, in the opinion of the Public Accounts Committee, the need for such action should have become apparent by the end of 1940. The Committee's report and in particular the attitude of MAP are likely to be the subject of a Parliamentary debate before the summer recess.

Business Men

The vexed question of civil servants as business men and business men as civil servants is discussed in the Select Committee's twelfth report, which deals with the appointment of Mr Beaver and Mr Bennett to the Ministry of Works and Planning. The Committee in general sees no objection to the appointment of business men to control the businesses they represent, and would deprecate the introduction of any ruling that they should entirely sever their business connections while holding official positions:

A policy so stringent would deprive the Government in wartime of the services of men in a position to render invaluable help to the state.

This is surely a reflection on the patriotism of business men. If other people can be conscripted into the forces or industry, is it too much to expect that business men should not temporarily forgo their emoluments from their enterprises to serve the state as its paid employees in the capacity for which they are most qualified, with the knowledge that after the war they would be able to return to their previous positions? In the particular cases under consideration, both

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the individuals and the firms are clearly exonerated from the charges made against them. Mr Beaver and Mr Bennett both emerge with their personal reputations unscathed. The work undertaken by their respective firms consists of supervising the construction of certain ordnance factories and hostels, and of designing hostels. The cost of supervision by Sir Alexander Gibb and Partners worked out at £1,100,000, plus a further sum of £931,000, which is considered "a lower figure than is ordinarily paid to consultant firms engaged on works of considerable magnitude." The Comptroller-General in his 1940 report on the Civil Appropriation Accounts, on the other hand, thought that the figure of £1,100,000 (equal to 3.6 per cent on the cost of the work supervised), which was paid to "a firm of consulting engineers" employed by the Ministry, was on the high side. Whatever may be the rights and wrongs of this particular case, the fact that the necessity for public inquiry should have emerged at all seems to indicate the undesirability of appointing business men to control their own businesses.

Government Advertising

In a written parliamentary answer, the Chancellor of the Exchequer has given the following estimates, which are only approximate, of Press advertising expenditure by Government departments from the outbreak of war to the end of June, 1942:

Admiralty	63,000	National Debt Services	25,000
Air Ministry	414,100	Post Office	19,000
War Office	133,400	Supply	55,900
Agriculture	186,000	Trade	62,000
Food	855,000	War Transport	151,000
Fuel and Power	84,000	Works and Planning	42,000
Health	35,000	Agriculture (Scotland)	6,000
Home Office and		Health (Scotland)	2,000
Home Security	89,000	National Savings C'ttee	1,251,100
Information	93,000	Scottish Savings C'ttee	70,500
Labour	168,000		
		Total	3,805,000

It will be noticed from this table that the National Savings Committee comes first, followed by the Ministry of Food and then, unexpectedly, the Air Ministry, after which there is a big drop in expenditure. The large amount spent by the Air Ministry is surprising at first sight. Possibly, it is due to the fact that the recruitment of air crews is voluntary; advertising, therefore, may be considered necessary in order to maintain a constant flow of recruits. If this explanation is correct it may be argued that the exploits of the RAF are an adequate and better form of advertising. In any case, the table provokes the suggestion that, whatever the merits of the voluntary principle, it incurs a great deal of expenditure in advertising. It may be doubted, for instance, whether the National Savings Committee would spend nearly so much if saving were made compulsory, or the Ministry of War Transport if unnecessary travel were prohibited instead of the subject of appeal, or the Ministry of Fuel and Power if fuel rationing were imposed. It is quite true that the Ministry of Food is the second biggest advertiser, and it might consequently be argued that rationing itself breeds expensive advertising. But a considerable part of this advertising is by way of public service—in the form of recipes and so on. On the whole, it is almost certainly a greater economy to impose a uniform system of thrift and then to advertise changes rather than to spend the same or more money on obtaining small savings.

Raw Materials

Last week-end the post-war production and distribution of minerals was discussed at a gathering of experts and scientists, arranged by the Division of the Social and International Relations of Science of the British Association, with special reference to clause four of the Atlantic Charter; this clause proposes "access for all states, on equal terms, to the raw materials of the world necessary for their economic prosperity." The scientists naturally concentrated on the technical aspect of the problem rather than on its political complications. The conference recommended the formation of an international resources organisation as a fact-finding and advisory body for governments and, as a first step, it suggested that a scientific survey of the world's mineral resources should be undertaken. One speaker, discussing the financial aspect of mineral production, again drew attention to a present political trend which points to the fact that colonial peoples may eventually be compelled by their awak-

ening national consciousness to assume control of their own resources. The conference disclosed many interesting technological facts about mineral supplies and their consumption. Professor Fawcett, for example, drew attention to the tendency whereby consumers are relying increasingly on supplies of materials recovered from scrap. In his view, the world's supply of metal would be regarded as a revolving stock, to be used over and over again, and to be replenished only by new metal to the extent that replacements are needed and to provide for new uses. Owing to the wartime scarcity of raw materials, technological progress in the utilisation of metals has been speeded up quite appreciably during the war. A statement of considerable topical interest was made by Sir Thomas Holland, who gave it as his considered view that Germany's decision to drive eastwards was influenced much more by her shortage of manganese, an essential material needed in the production of steel, than by a scarcity of oil which could be made to an increasing extent from the abundant brown coal supplies in Germany.

South-West Pacific

After a period of comparative lull, the war in the south-west Pacific is beginning to flare up. Last week-end the Japanese landed a force, originally estimated at between 1,500 and 2,500, but now believed to be considerably stronger, at Gona, on the north-east coast of Papua, and have advanced some 55 miles along a reasonably good road towards Port Moresby. From their present position at Kokoda to Moresby, the terrain becomes increasingly difficult, and there is only a narrow pass through high mountains to the sea. The Japanese have also extended the range of their bombing activity, and have raided Townsville, on the north-east coast of Australia, which is appreciably nearer the main centres of population than the outposts, Darwin and Broome. Last May, when the Japanese attempted to advance on Port Moresby, they were turned back by the US navy, and suffered heavy losses in the Coral Sea battle. The attack was not renewed; and, since then, enemy activity has been limited to bombing, and has provided a further example of the impossibility of achieving major successes by the air arm alone. The Allied air forces are replying vigorously by bombing Japanese positions, and the enemy land forces have received their first check at Kokoda. It would be premature to forecast whether this land offensive is the prelude to an attempted invasion of Australia, whether it has been undertaken more with the object of reconnaissance and consolidation of position, or whether it is intended as a diversion to distract attention from the main objective, say, an attack on Siberia. Japanese forces are deployed on so many fronts—China, Burma, the Aleutian islands, and along the Soviet border—that it seems scarcely credible, especially in view of the limits of Japanese merchant shipping and the growing strength of the American navy, that any major offensive in the Pacific theatre of war is imminent.

Testament of Treachery

Lord Haw-Haw, William Joyce, has written his own *Mein Kampf*. He calls it, wishfully, "Twilight Over England," and it is being published by the *Frankfurter Zeitung* in parts. Oddly, he boasts of being truly British, and he traces his paternal ancestry, which was Irish, back to the twelfth century, a feat which Hitler himself only performed after he came to power. Joyce was born in New York in 1906. He was educated at a Jesuit college in Ireland and at London University. At the age of 17 he became a British Fascist. Then, after some teaching experience, he set out to convert the Conservative party to "genuine nationalism"—an attempt which he now calls "foolish and rash." In 1933, the year in which Hitler came to power in Germany, Joyce joined Mosley's British Union of Fascists. Modestly, he claims to have become the Union's leading propagandist. He even converted the Union to anti-semitism—or so he says. By now Joyce was modelling all he did on Hitler, and he was still restless. In 1937, with John Beckett, a similar condottiere of the street corners, he formed his own party, the National Socialist League. Now, breaking up other people's meetings, and taking part in demonstrations, Joyce, the "warrior," was in his element. His face, he says, bears the scars of his battles; but, on the outbreak of war, he took himself off to the promised land because his conscience did not allow him to fight for his country. There in the Third Reich, perhaps not so promising now, he must stay. The chief comfort taken by English readers from this sordid story is that men like this do not become Führers in England.

AMERICAN SURVEY

The Arsenal in Action

THE figures of American war production released last week by the War Production Board throw the first real light on the degree to which the programme laid down by President Roosevelt in January is being achieved. The President fixed a figure of 60,000 aircraft for 1942, that is, a monthly rate of 5,000 planes; in May, less than five months later, nearly 4,000 aeroplanes were produced. The tank figure was to be 45,000 for 1942, about 3,750 a month; in May 1,500 tanks were turned out. Artillery and anti-tank guns are now being produced at the rate of 2,000 a month, machine guns at over 50,000 a month, and sub-machine guns at a rate of 55,000 a month. The President's figure for anti-aircraft guns for 1942 was 20,000; in this case there are no progress figures, and Mr Nelson frankly admitted a serious lag in production, although he declared the situation was improving. The shipbuilding figures are presented in such a way as to make a comparison with the goal difficult; the President in January mentioned a figure of 8 million dead weight tons, which was later raised to 9 million; but the WPB only reports that 228 ships were delivered in the first six months of 1942 against 103 in the whole of 1941. Whether there is a special caution in publishing shipbuilding tonnage, or whether the facts, unlike those on other aspects of the production effort, would give aid and comfort to the enemy, is not certain. But it has been reported for several months that the overall shipbuilding picture was unsatisfactory. Total war production in June, however, was nearly three times that of last November, and for the first half of 1942 was 50 per cent greater than that of the whole previous year.

These figures give body to Mr Lyttelton's statement that American war production surpassed the British several months before it was expected to, although the absence of similar British statistics makes impossible any detailed comparison of the production efforts in the two countries. They are probably calculated—and with reason—to offset some of the pessimism arising from Allied defeats on the battlefield. The past six months have seen a magnificent industrial achievement in the United States, which in many respects, particularly in aircraft production, has surpassed expectations. With new bomber plants coming into operation, there should be no difficulty in meeting and overtaking the goal of 60,000 aircraft which seemed so breathtaking at the beginning of the year. The "extraordinary ingenuity and restlessness of mind" of American engineers to which Mr Lyttelton paid tribute is already reflected in the monthly totals of production, and there cannot be too much praise for the efficiency and devotion of management of labour and of the administration in seeking out new methods of increasing the output of arms.

Bottlenecks Ahead

All aspects of the production programme are not equally favourable. Nor, indeed, was it ever likely that they would be. Mr Nelson's warning, which accompanied the report, shows that he has fully learned the dangers of over-emphasising good news:

The biggest part of the job is ahead. I want to emphasise again and again that the picture is in no sense one that provides a basis for undue optimism. . . . Production is going well in some categories, although others are lacking somewhat. Serious raw material shortages are looming up. Many bottlenecks are being broken, but some new ones are forming. The Government is working hard on these problems. The country must not get the impression that the battle of production is won and that we can stand at ease. . . .

Shortages of raw materials have been receiving steadily increasing publicity and attention. On June 3rd, Mr Batt relinquishing his job of Director of Materials, stated:

As the vast production machine which has been created over the last two years swings into action, the difficulty of providing materials to feed it will become more and more apparent. . . . I can see times ahead when a shipway may stand idle for lack of steel and an ammunition line may slow down for lack of copper and brass. . . . The past months

have been relatively easy. The military has taken from the civilian to meet its needs. This pool is nearly dry. From here on it will be a continuous problem to provide materials to meet the needs of our fighting forces. Industry must get ready to "patch and pray" to keep existing equipment at work.

These material shortages are caused, in the main, not by absolute scarcity, but by the increasing pace of a variety of war demands. It is true that many sources of raw materials have been lost in the Far East and that ship sinkings contribute to the inadequacy and irregularity of certain supplies. But the relative self-sufficiency of the United States makes this a far less weighty factor than in Britain. The main reason for the present difficulties is the lack, during the past year, of that synchronisation and timing of production, so difficult to achieve, but so absolutely necessary if there is to be a smooth and continuous flow of production and balance in the output of arms. It was not, for example, expected last year that fabricating plants would be eating up raw materials at anything like the rate which has already been attained, and plans for the expansion of raw material production are consequently short of what would be desirable to-day.

Steel production, for instance, at 99 per cent of capacity, is still insufficient to provide for all war needs. The cancellation of shipbuilding contracts at the Andrew Higgins yards last week was based on the need to use steel for the immediate construction of ships rather than for facilities which would only go into production next year. "Must assignments" in the second quarter of the year were reported in "Business Week" to be 98½ per cent of maximum output, divided 66½ per cent to the Army, Navy, Maritime Commission, and Lend-Lease, 14 per cent for farm machinery, railway equipment, exports, and mining machinery, and 18 per cent for expansion of essential war industries, such as aluminium, rubber, steel, high octane petrol. For the 1½ per cent of the remainder, demand—with a priority rating of A-10 or higher—was more than ten times supply. The construction of additional steel capacity has had to be somewhat curtailed because of the lack of materials. Steel operations themselves dropped in June owing to the shortage of scrap and the necessity of shutting down furnaces for repairs.

The Production Requirements Plan was first introduced for 13 critical metals where the position was most serious. The greatest difficulty is in the alloys used for hardening steel. Despite strict controls over nickel, chromium, vanadium, tungsten, and manganese, the immense demand and inadequate imports make this a continuous and menacing bottleneck. Copper is another example of serious shortage.

Rubber, of course, is a case apart. Unless there is a miracle of production in synthetic rubber even with the strictest economy in military use, and with no rubber for civilians, there is expected to be a deficit in 1943 and 1944. The supply of lumber is becoming tighter as the demand for steel substitutes rises. Production is below last summer's peak, owing to labour and equipment difficulties; a "Czar" has been appointed for the West Coast industry, and the allocation of important types of timber is probably not far off. The same is true of hides and wool.

There has been an improvement in the machine tool position; this was probably one of the bottlenecks that Mr Nelson had in mind as being broken. Production in May reached \$107 millions in value, nearly half the total production for 1929 and the backlog of orders is being reduced.

The need of housing for war workers, with its heavy demands on steel, lumber, and other materials, as well as labour, is growing more urgent daily. Transport, of fuel and petrol, of finished arms and of crops, promises to be one of the major difficulties of 1943. The shortage of trained manpower, already marked in centres of war industry, will become increasingly acute.

This catalogue of problems should not be taken to mean that any one of them is beyond solution or indeed that substantial progress is not already being made toward re-

solving them. They are the same set of problems—different only in detail—that has confronted the war economies of both Allied and Axis powers. In some ways, the difficulties are greater in the United States. In part, this is due to the geographical distribution of American industry; in part, to the greater speed with which it has been necessary to wrench industry out of its peacetime setting. Again, there are grounds for suggesting that American industry, with a tradition of independence and less experience in co-operating with Government and labour, finds the changeover to a strictly regulated economy more harassing than industry abroad.

The Agenda

There are these special difficulties in the United States, but there are also unique advantages. Mr Batt was probably guilty of exaggeration when he suggested that the limit had been reached in what the military could take from the civilian. The United States is now reaching the point where military demands are beginning to hurt and where they will not be satisfied without some protest. But that is not to say that there is not still an enormous pool of civilian resources which can be harnessed to the war effort without endangering a standard of life reasonable for wartime.

All available information suggests that the necessary controls are now shaping up. The Production Requirements Plan, together with the "allocation classification" system, which are now being extended to other materials beside metals, are expected to rationalise the materials situation and make it impossible for some manufacturers to obtain more scarce materials than they need. They are also being counted on to put an end to priority violations, particularly in aluminium. A Maintenance Requirements Plan, applying similar principles to the supply of materials for maintenance, is being studied. A plan for inventory control has been announced; it aroused such a storm of protest from business that it is being reconsidered, but some form of inventory control, designed to keep inventories at a minimum, and prevent hoarding of materials and stocks, will soon be in effect. Salvage of all kinds is receiving increasing attention and the comparative failure of voluntary drives is paving the way for compulsory powers. The restriction of civilian consumption of scarce materials, insofar as it lies within the province of the WPB, is being pressed. The use of iron or steel in another 150 articles for civilian use has just been forbidden, and not only is their manufacture prohibited, but also their delivery or acceptance.

New Phase

The first stage of American war production is over. A period of comparative plenty for the purposes of war production is giving way to an economy of scarcity. Increasingly decisions must be taken, not to produce guns and butter, or even to produce guns or butter, but rather to distribute resources between urgent categories of military production. Mr Batt said that industry must get ready to "patch and pray." But more than this will be expected both of industry and the Government, and of the civilian population as well. The aim must be, under conditions of increasing difficulty, to achieve a balanced relationship between output of different kinds of armaments; to tie production securely to strategic decisions; and to guarantee an orderly flow of the right materials and labour to the factories where they are most needed. The difficulty involved will be appreciated in Britain which, for three years, has been grappling with much the same range of problems. It is a time for prayer, perhaps, but also a supreme test of planning and of the organisation and techniques which have been built up in this first six months of American belligerency. But the responsibility is not that of the War Production Board or the Services of Supply alone. It extends to an even greater degree to the Administration, to Congress and to the American people themselves, who must make the decisions on manpower, rationing, taxation and many other political issues which affect war production at every point.

American Notes

Full Circle

The speech of Mr Hull, the Secretary of State, is unlikely to be the last of the historic cycle of American speeches on post-war policy, but with it the representation of varying viewpoints within the Administration is very

nearly complete. Mr Hull's emphasis on caution—at one point he warned that

new policies should always be guided by cautious and sound judgment lest we make new mistakes in place of old ones and create new conflicts

—and his repeated stressing of the necessity of nations relying on their own efforts toward economic betterment, within a framework of international law and co-operation, have been interpreted as a modification of the speeches delivered by Mr Wallace and Mr Perkins. Mr Hull's main points on post-war reconstruction referred to the removal of impediments to action rather than to daring social experiments; he argued that with

peace reasonably assured, with economic shackles removed, with political stability established, a vast fund of resources will be released in each nation to meet the needs to progress . . . to invigorate the constructive forces of initiative and enterprise.

This is a far cry from the bold policies advanced by Mr Wallace and Mr Perkins; for that very reason it will find more support in conservative circles, which were alarmed at the enthusiastic reception of Mr Wallace's demand for a "people's revolution." It is only natural that "Judge" Hull should be primarily interested in the legal machinery of the post-war world, in an international court of justice, in an international police force. It should not be taken for granted that Mr Hull's speech means an abandonment by Mr Roosevelt of the forward positions established in earlier speeches. It is more likely that President Roosevelt is sounding out public opinion by stimulating the expression of a variety of views by his official family, and that the President's own course will only be determined after an appraisal of the reactions of the public. Particular interest has been aroused in the United States by what is believed to be an implied warning to the leaders of the Congress party, and perhaps to Vichy, in Mr Hull's statement that those who refuse to fight show themselves unworthy of liberty, and make more difficult the task of those who are already fighting.

BEW at Work

The recent announcement of agreements with Bolivia and Mexico for the purchase of rubber and alcohol are examples of the work which the Board of Economic Warfare is doing to increase the production of scarce materials in the Western hemisphere. The terms of the Bolivian agreement provide that the Rubber Reserve Company will during the next five years purchase all rubber produced in Bolivia other than that required for essential domestic needs and 250 tons to be available annually for export to neighbouring countries. The Rubber Reserve Company is to spend \$2,125,000 in the development of rubber resources in Bolivia. Similar agreements are already in effect with Brazil, Peru, Nicaragua, Costa Rica and Colombia, and negotiations are at present proceeding with other countries. The Mexican agreement provides that the Commodity Credit Corporation will purchase the entire exportable surplus of Mexican alcohol production up to the end of February, 1943, at a price of 40 cents a gallon. It is an interesting feature of these agreements that they are announced jointly by the State Department, the Board of Economic Warfare, and the RFC commodity corporation concerned. The hostility which was incurred by the Board of Economic Warfare at the time when its powers were being so strikingly increased appears to be dying down. The amicable relations which now exist appear to be due in large part to the steady avoidance by the Board of any publicity which would reflect on the other departments and agencies with which it must co-operate. On the other hand, it does not appear to have had to modify its activities. One of the most reassuring aspects of the Board's programme is its realisation of the difficulties which will be created after the war by the increased self-sufficiency of the Western Hemisphere. Mr Wallace, who is chairman of the Board, has already publicly expressed his fears concerning the pressure groups which will spring from the expansion of the synthetic rubber industry in the United States, and the similar problems which will have to be faced in the Central and South American countries will not have escaped his attention.

The Primaries Continue

The primaries are now in full swing, and although in the majority of cases the issues are local, as is usual in an off-year election, much of the recent activity on Capitol Hill has been carried on with a direct eye to its effect back home. The creation of a new rubber agency to supervise

the production of synthetic rubber from grain is a case in point, and the disinclination of oil-producing states to share in petrol rationing for the conservation of rubber prompted a hundred Congressmen to announce that they were firmly opposed to nation-wide petrol rationing, unless it could be proved that there was a general petrol shortage. A large number of Congressmen are now devoting the unofficial recess to the urgent task of fence-mending; and the President himself has intervened in New York to give his endorsement to Senator Mead's candidacy for the Democratic nomination for Governor. The Labour party, which holds the balance of power in New York, had repudiated Bennett, Mr Farley's candidate, and the risk of his defeat led Mr Roosevelt to endorse a more liberal candidate who might secure the labour vote. The danger is that, if there is no reconciliation between Mr Farley and the President, Mr Dewey, the Republican candidate, may profit by the split. There appears to be agreement, however, that in general the Democratic party will increase its representation in Congress, although there are no signs that the country is disposed to condemn any man for pre-Pearl Harbour isolationism. The argument appears to be that a Congressman is not expected to be more foresighted than his fellow citizens. The details and personalities of most of the elections are too complicated to be of much concern outside the particular locality. But it is of some interest that Representative Ham Fish, implicated in the Vereck case, is conceded a good chance of being returned again. Martin Dies has secured, unopposed, the Democratic nomination of the Second Congressional District in Texas, which means that he will be elected. Gerald L. K. Smith, the Coughlinite, is busily stumping Michigan for the Republican nomination for Senator; his expenses are said to be interesting the Senate Committee to Investigate Campaign Expenditures. The primaries never fail to provide their quota of surprises and local colour. In Connecticut, Clare Boothe Luce, the playwright and wife of the publisher of *Time*, *Fortune* and *Life*, is in the running for a Republican nomination. In Georgia, reviving Prohibition sentiment has prompted the candidacy of "Wee Willy" Upshaw on a platform of "God, the Ten Commandments, a Sober Nation, and the American Flag."

The Rubber Tangle

President Roosevelt's announcement that he would probably veto the Bill establishing a new agency to handle the production of synthetic rubber from grain, and that he was planning some action of his own on domestic rubber production, is evidence that the argument over synthetic rubber has not been finally settled. Even the hope that there would be rubber for civilians seems to have been revived by the reports that the rubber industry believes it will be possible to supply all mechanically usable cars with tyres for the next two years. The industry stresses that this will only be practicable if driving is reduced by 40 per cent, speeds reduced to 40 m.p.h., and tyres checked every week. Even with this cautious proviso, the announcement seems unfortunate, in view of the public confusion over the rubber situation. More prudent estimates suggest that, even with the strictest economy on the part of the Services, with no rubber for unessential use, and if 1943 sees the strict fulfilment of the programme for producing 250,000 tons of synthetic rubber, there will be an absolute shortage of over 100,000 tons. The deficit is expected to last well into 1944, even with production of synthetic rubber reaching 650,000 tons in that year. Confusion over the synthetic rubber programme has been heightened by a long-drawn-out argument about the merits of basing it on petroleum or on wheat. —actually, of course, it will employ both processes. The farm bloc has been a determined proponent of the rubber-from-alcohol-from-wheat method, while the Administration and the War Production Board have favoured production from petroleum. Mr Henderson, the Price Administrator, has caused some surprise by favouring the Congress view that rubber should be produced from alcohol. The pros and cons of wheat *versus* petroleum cover the questions of time, of materials for plant, and of cost. For wheat it is argued that the USA has a vast surplus of wheat; that the process is chemically more direct, and therefore shorter. For petroleum, it is claimed that the plants needed would not require the copper needed for alcohol-butadiene equipment, or so much compressor horsepower; and that is cheaper. According to a special article in the magazine *Time*, in 1944, when 800,000 tons of synthetic rubber is scheduled to be produced, 100,000 will be specialty rubbers; 60,000 Standard Oil's butyl; 40,000 Du Pont's neoprene; the rest will be Buna-S, with 220,000 tons produced from alcohol, the other 480,000 tons from petro-

leum. The greatest danger is that pressure from the farm bloc, the Big Four rubber companies, the small companies, the refiners and the public, may keep the whole programme open to revision. *Time* reports that the US has already used up one-third of its stockpile of 700,000 tons of natural rubber. The problems of expanding the industry from a capacity of about 30,000 tons a year to 800,000 tons are enormous. If there are further delays in starting the job, even the 250,000 tons scheduled for 1943 may not materialise.

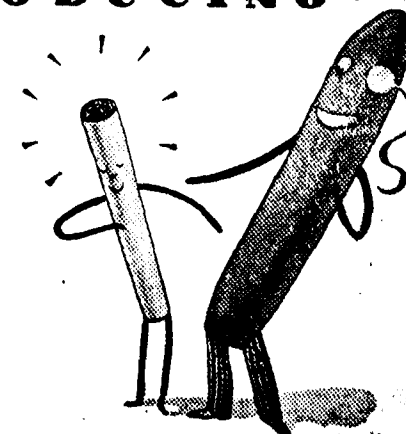
Shorter Notes

The State Department has announced that agreements have been reached with the Central American countries concerned for the construction of a gravel highway between the southern frontier of Mexico and Panama. The surveying of the road is in progress and construction will begin immediately. Besides its strategic importance, the road will ease the difficulties of the Central American countries which have depended largely on shipping for their transport needs, and which have been the victims of the U-boat campaign in the Caribbean and the Gulf of Mexico.

Sugar rationing has worked so well in the United States, and supplies have been coming in so much more regularly than was anticipated, that the ration may have to be raised in order to dispose of surpluses. Stocks have piled up to such an extent that refiners are now forced to turn away raw cargoes.

It now appears that the report that the War Labour Board proposes to grant wages increases up to 15 per cent to workers who have not had increases up to that amount in the period January, 1941, to May, 1942, were correct. If the unions have received part of the increase the Board will grant the balance, and it reserves the additional right to adjust inequalities in the lower income levels. As existing price ceilings are based on last year's wage rates, either price ceilings will have to give way, or Congress will have to grant the OPA power to grant substantial subsidies to industry if the Board is upheld by the President.

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FROM ALL GOOD TOBACCONISTS AND N.A.A.F.I. CANTEENS

THE WORLD OVERSEAS

Reign of Terror

(By a Correspondent)

ALL reports from occupied Europe speak of a new climax of intensity and ruthlessness in the German terror. What emerges from those reports is no longer the picture of a "normal" regime of conquest and occupation, but the horror of the *Nacht der langen Messer*, which has now fallen upon a whole continent. The "blood and revenge" (*Blutrache*) of the old SA songs have become for the subjugated nations an everyday reality. Whatever scepticism may be aroused by "atrocity stories," facts suffice to show that Europe has been turned by its present masters into a shameful jungle, into a hunting-ground for the *Urwaldmensch* armed by the technique of the twentieth century.

Poland still holds first place among the victims. All the normal political and moral standards of a civilised age must be set aside in order to gain a proper understanding of what has been happening in Poland. The question there is no longer merely one of oppression and slavery, but one of political and cultural, and in some parts of the country, even physical, extermination. In the western parts of Poland, the so-called Warthegau and Silesia, it has been the avowed purpose of German policy to clear these territories of their Polish population. Gauleiter Greiser has repeatedly stated that not one Polish word will be spoken in the Warthegau in a few years' time. All Polish schools—even the elementary ones—have been closed. Masses of people have been driven from their towns and villages into the region of the General Government—or into labour camps in Germany. Executions are reported daily by the German press of Western Poland. In Central and Eastern Poland, it is primarily the intellectual class that is being exterminated; the aim is to deprive the nation of its political and moral leadership—actual or potential. The whole body of University professors and lecturers is being physically destroyed. Some weeks ago, the professors of Lvov University were murdered or deported to concentration camps just as were their colleagues of Cracow University some time earlier. The ranks of clergymen and village teachers have been decimated in the same way. And this summer a great purge was made of former reserve officers of the Army. The scope of the Terror among the common people can be measured by the fact that Poles are being sent to twenty-three big concentration camps in Poland and Germany.

But, even against this background, the massacre of Polish Jews stands out as a unique crime. The slaughter started towards the end of 1941, and this summer it is still going on. Whole Jewish communities have been wiped out by machine-gunning. The pogrom started in Eastern Poland—formerly Soviet occupied—and from there it spread westwards. The most conservative estimates put the number of the victims at over 100,000, while inside reports from the ghettos speak of a much higher total. The massacre has surpassed anything recorded in the long history of anti-Jewish pogroms, even the famous slaughter of 1648, during the Khmelnicki rising, in the Ukraine.

Preventive War

Poland is the nearest "normal" rear behind the Eastern front, the base for supplies and communications. German reverses in the East have raised high hopes among the Poles; the underground movement has grown in strength; and the unbroken spirit of the Polish people has remained a constant menace to the nearest rear of the fighting forces. To crush the spirit of resistance, precisely at a time when the military situation might favour that resistance, became imperative from the invader's point of view. The Germans, in fact, have been waging a preventive war against the pending danger of Polish guerrillas. The underground movement has shown an astounding degree of vitality. All

attempts to destroy the network of clandestine organisations have failed. The Germans, therefore, decided to strike at those classes of society—the intelligentsia first of all—from which the cadres of the underground movement come. The fury of the Terror can also be explained by the panicky nervousness of the hundreds of thousands of *Volksdeutsche* who have been settled in Poland in the homes and on the land of expelled Poles. Their lot and even their life depends entirely on the military position: it is the *Volksdeutsche's* fear for their future that has fed the wave of terror.

Heydrich Assassinations

In Czechoslovakia, the court-martials still try "crimes connected with the assault on Heydrich." Nearly 1,300 executions have been carried out, besides the wiping out of Lidice and Lezaky. Here, too, the object has been to cut off the underground movement from the broad mass of the people. The newly-established National Tribunals try, not only the "traitors," but also their families and employers. Thus, the Gestapo tries to frighten the Czechs into assisting its spies in hunting members of clandestine organisations. Seven University professors, a number of teachers and Army officers have been shot recently. Officials of the Protectorate's Ministry of Agriculture had to pay with their lives for the failure of the Nazis to get hold of the peasants' crops and cattle.

Opposition to the Germans now comes even from those political quarters which some time ago were inclined to "collaborate." General Alois Elias, Prime Minister of the first Czech puppet Government, was executed on June 19th. The leader of the Agrarian party and the Czech Prime Minister of the post-Munich period, Rudolf Beran, was sentenced to ten years' penal servitude. The SS group leader, Reischauer, has been appointed deputy to the Czech Minister of the Interior; the peculiar thing is that the terrorism in Czechoslovakia is carried out under the auspices of Hacha and Moravec. These Czech quislings embarked upon the path of "collaboration" with the now familiar excuse that they were thus going to save whatever might be saved for the future of Czechoslovakia; now they assist the invader in destroying the nation, morally and politically.

In Western Europe, the position is different. The Nazis there still keep the kid glove on the mailed fist. Even so, more people have been arrested in Belgium during 18 months of occupation than were arrested during the whole of 1914-18. The death penalty has been introduced for circulating illegal papers. In occupied France, the practice of shooting hostages has not been enough; and now families of saboteurs have been made responsible for their relatives' doings. If those "guilty" of sabotage are not found within ten days, their families' male members over 18 years are to be shot, and female members sent to forced labour camps, according to an official German announcement.

It is perhaps not very useful to indulge in further descriptions of the Nazis' misdeeds. Their cruelty is matched only by their inhuman monotony. Two political conclusions seem to be important. The physical and moral exhaustion of the oppressed nations grows with every year of the war; all reports from Underground Europe, particularly those from the Slav countries, give alarming evidence of this exhaustion. Secondly, it would be a fallacy to suppose that this prodigious reign of Terror fails to obtain some of its objectives; it does lead to depression and despondency. But this despondency borders on hope and eagerness for action as closely as it has never perhaps done before; and which will prevail depends on the next developments in the battlefield.

New Zealand's War Finances

[FROM OUR CHRISTCHURCH CORRESPONDENT]

May 20th

OWING to the increase in expenditure resulting from the Pacific war, the Government has presented estimates for war expenditure this year much earlier than usual. Though neither the accounts for last year nor the detailed estimates for the present year were complete, the Prime Minister, acting as Minister of Finance, was able to state that expenditure in the Consolidated Fund, the Social Security Fund and the National Development Account, were below the revenue last year, and can be financed this year without any changes in taxation. Comparing the estimates for 1942-43 with the results for 1941-42, Consolidated Fund expenditure decreased by about £NZ1.5 millions, expenditure on social security increased by about £NZ2.3 millions, and capital expenditure on public works and housing is reduced from £NZ12 millions to £NZ4.5 millions. War expenses cost about £NZ53 millions last year. About £NZ20 millions was raised by special war taxes, £NZ31.7 millions from loans, including £NZ8.2 millions from Britain, and £NZ4.4 millions was carried forward from the previous year, making the total receipts £NZ56.1 millions. For the present year, war expenses are expected to total £NZ133 millions, though it is admitted that close estimation is impossible in the circumstances. To meet this expenditure, it is proposed to raise £NZ46 millions under the agreement with the British Government, £NZ10 millions under the lend-lease agreement, making £NZ56 millions from abroad, and to borrow £NZ35.6 millions in New Zealand. Present war taxes will yield £NZ20 millions, transfers from the Consolidated Fund £NZ3 millions, and other items £NZ4 millions. It is proposed to increase the taxes on incomes, beer, wine and spirits, tobacco and cigarettes, and the sales tax, to raise an extra £NZ14.4 millions, making the tax contribution to war expenses £NZ34.4 millions.

With these additional taxes, total taxation is expected to yield £NZ77.8 millions, or about £NZ47.15 per head of the population. National and social security taxes will be 2s. 6d. in the £ on all incomes, without exemption except for war and social security pensions and benefits. Including these, taxes on individual incomes will start at 5s., after income-tax exemptions, and reach 18s. in the £ above £NZ2,500 in the case of unearned incomes, and above £NZ3,700 in the case of earned incomes, while company taxes, starting at 5s., will reach 14s. 0d. in the £ on incomes above £NZ7,950. The figures given do not permit an accurate balance of the accounts, but the following is an approximate summary of the results for last year, and the estimates for this year:—

RESULTS 1941-42 and ESTIMATES 1942-43

	(£ N.Z. millions)	Approx. Results 1941-42	Estimates 1942-43
Expenditure:—			
Consolidated Fund.....		39.7	38.2
Social Security Fund.....		13.7	16.0
Development A/c (Loans only)....		12.0	4.5
War Expenses A/c.....		53.0	133.0
		118.4	191.7
Less Transfers.....		5.1	5.1
Total Expenditure.....		113.3	186.6
Receipts:—			
Taxation:—			
For Consolidated Fund.....		35.5	32.5
.. Social Security Fund.....		10.9	10.9
.. War Expenses A/c.....		20.0	34.4
		66.4	77.8
Total Taxation.....		13.4	14.2
Other Receipts, Surpluses, etc....			
Total.....		79.8	92.0
Loans:—			
From Britain.....		8.2	46.0
Lend-Lease.....		—	10.0
Internal War Loans.....		23.5	35.6
		31.7	91.6
Total War Loans.....		12.0	4.5
For Development A/c.....			
Total Loans.....		43.7	96.1
Total Receipts.....		123.5	188.1

French Workers in Germany

[BY A FRENCH CORRESPONDENT]

July 27th

VICHY's efforts to send French industrial workers to Germany have not abated. The propaganda is even more intense in the unoccupied zone than in the occupied. New promises are made every day: no compulsion will be applied to workers who do not want to renew their contract; they will be assured of finding a job when they come back to France; a lump sum of money (1,000 francs) will be paid to them for their equipment, etc.

Recently, the radio from Vichy has revealed the goal which Laval had set himself. Three hundred thousand French workers must go to Germany so that the same number of peasants are released. This figure does not include the 150,000 French workers who were already in Germany when Laval started his campaign. Up to now, the results have been very disappointing for Vichy and the Germans. From June 22nd to July 3rd, 11,658 people left France to work in Germany, among them 2,715 women. In the following week (July 4th to July 11th), the total figure was 4,190. On an average, the enlistment of French workers for German industry reaches about 5,000 a week. If the rate is not increased, Vichy would need more than a year to attain its goal, assuming that all the workers renew their six months' contract when it expires.

A law of July 11th has placed French manpower in Germany under the authority of Laval, who has delegated his powers to Benoit-Méchin. New measures are being taken to increase the emigration of labour. Instructions have been sent to employers to form squads of workers for Germany, including foremen and technicians. Big undertakings must organise squads by themselves. Small and medium ones will have to co-operate for the same purpose. It appears that the total number of workers to go to Germany has been divided between the different industries (especially the metal industries, but the building industry also), and a quota has been assigned to each Committee of Industrial Organisation (employers' committees put by Vichy at the head of the different industries). It is still too early to say if this procedure will give better results than have been achieved hitherto. But it can be deduced from the French radio and press that employers are very reluctant. "Too often employers refuse to give up their best workers," says the Vichy radio.

No prisoner has yet been released by the Germans. The exchange ratio between industrial workers and prisoners has never been officially stated. But a recent announcement in a Paris paper discloses that, as might have been expected, the bargain has been highly favourable to the Germans. According to this paper, only qualified workers from the metallurgical industry will count for the release of prisoners, and then only after a considerable number have arrived in Germany.

DOG IN THE MANGER

BY

N. H. BACON

7/6 NETT



As one reads this book, the pieces of the economic jig-saw are seen to fall into place; the fundamental cause of trade depression and unemployment becomes clear.

Gladwin & Bacon

German Europe

Social Policy

IMPROVISATIONS and makeshift arrangements have been the features of Germany's social policy since the spring of last year. Labour conscription; land service for boys and girls; the so-called duty year for girls (that is, compulsory domestic service); the tremendous increase of married women employed in industry; and the employment of 2.5 million foreign workers, all created problems which can no longer be solved by the activities of the Labour Front. The great number of men and women of poor physique employed in industry has increased the sickness rate considerably. Factories actually paid premiums for punctuality and regular attendance until the Trustees of Labour made a drive for better factory discipline by introducing penalties for absenteeism. Independent artisans and retail shops, which were unable to provide facilities for welfare, sport and recreation comparable to those supplied in large-scale factories, were encouraged to form "social co-operatives" bringing together groups of small-scale businesses for the purpose of providing sports grounds, entertainments, extra sickness benefits and medical aid.

The biggest problem has been provision for working mothers, especially those expecting children. After Hitler came to power, the existing safeguards for mothers employed in industry were either abolished or fell into disuse, because of the dismissal of most married women. Now, about half the total number of married women are employed in agriculture and industry and special measures have become necessary again. A new "safety for mothers law" came into force on July 1st. According to this law, expectant mothers must not be employed on work which involves the constant lifting of weights exceeding five kilogrammes. Overtime work, night shifts and work on Sundays are prohibited. The most important point is that women must be given sick leave six weeks before and six weeks after confinement. Nursing mothers are paid "nursing allowances." The terms of the new law show, first, that expectant mothers have up to now been employed on heavy work as well as on night and day shifts; and, secondly, that it is now necessary to restore safeguards and benefits which were in force before Hitler came into power.

Old-age pensions and sickness and other benefits were increased during 1941-42; but, on the average, they are still below the pre-Hitler level. No cuts in benefits and pensions are made if old-age pensioners above 70 years of age go back to work. But all other old-age pensioners and disabled persons in receipt of benefits are paid reduced rates if they return to work. The very elaborate safeguards of pre-Hitler Germany for young people employed in industry have largely fallen into disuse; but the prohibition against young people under 16 years of age being employed on night shifts has been strictly enforced. On the other hand, boys and girls have been taken from school in great numbers before the school-leaving age to fill vacancies in industry. The vocational guidance departments of the labour exchanges reported that, in the spring of this year, there were 757,000 vacancies for boys, but only 631,700 could be filled. The land service, the Hitler schools and numerous other institutions claim a considerable part of the boys and girls leaving school.

Formally, foreign workers, except Poles, enjoy the same social benefits as Germans, but their actual treatment is very different. Most foreign workers are housed in special camps under the control of the Labour Front. Medical services are organised on military lines. The labour turnover is very great among foreign workers and the benefits they derive from paying insurance contributions are thus extremely small.

There is a definite trend towards combining all the different social services in one organisation. The shortage of administrative personnel is acute. A general reform, however, is not possible at the moment. The first step towards concentration was made in combination with the deduction of the wages tax at the source; three different insurance contributions, sickness, old age and unemployment, were lumped together. Contributions are no longer computed according to a wages schedule; a lump-sum contribution, amounting to 5.6 per cent of weekly wages in the Old Reich and 10 per cent in Austria and the Sudetenland, is deducted. The sale of insurance stamps has been abolished. Benefits, however, still vary according to the

former schedules. Generally speaking, Nazi policy has been successful in increasing the number of contributors. Most independent artisans are now paying contributions and accident insurance has been extended to office workers and domestic servants, whose accident rate is extremely low compared with workers in industry. Social insurance contributions, in fact, have thus become an important means of financing state expenditure.

Harvest Preparations.—The compulsory delivery of cereals, which was introduced for wheat and rye in 1937, has been extended to all cereals. Barley is particularly mentioned in the decree as being needed in the new season to supplement bread grain. Last year, the Minister for Agriculture has stated, deliveries of bread grain had exceeded the quota by 800,000 tons. This year, delivery quotas of all kinds of foodstuffs will be greater than ever before. Premiums will be paid for additional deliveries of milk, butter, eggs and poultry. It is officially announced that 2.5 million hectares under cereals, which were damaged during the winter, have been resown. The discussion of this announcement in the press makes it clear that a considerable part of this damaged acreage has been used to extend the area under potatoes, which is reported to have been increased by 13 per cent compared with 1941.

Difficulties in the supply and transport of potatoes last winter led to attempts to prevent a repetition. Special potato commissars were appointed in the agricultural districts. Their main task is the organisation of deliveries, transport and frost-proof storage. Additional storage facilities are under construction, and there is even talk of a scheme for manufacturing frost-proof transport vans. A further increase in the consumption of potatoes is expected.

The acreage under vegetables will be extended in 1942 to 306,000 hectares, against 241,000 hectares in 1941, when the acreage had already been increased by 25 per cent compared with 1940. There is, however, a shortage of vegetables.

Overloading.—At the beginning of the war, permission was given to overload railway goods trucks by one ton. Overloading of two tons is now permitted on German trucks. French and Belgian trucks, which were excluded from this rule, may now be overloaded by one ton. The authorities are not satisfied with the turn round of goods trains. A propaganda campaign for making the best use of available rolling stock is being conducted vigorously. Wherever possible, the transport of civilian commodities is cut down by creating supply districts beyond which industries are prohibited to deliver their goods; the transport of beer over long distances has been forbidden.

Building Societies.—At the end of 1941, Germany's public building societies reported that total deposits amounted to Rm. 95 millions, against Rm. 72 millions and Rm. 68 millions at the end of 1940 and 1939, respectively. During 1941, 27 private building societies concluded 30,000 new building agreements against 16,000 in 1940. This tremendous increase in building agreements, at a time when all private building activity is stopped, is described as alarming by the press. The total of building agreements concluded by the private societies at the end of 1941 was 120,000; during the last years before the war, the annual number of small houses constructed was roughly the same figure. The press doubts whether the contracts can be carried out as soon as the war is over.

Industrial Repairs.—The Minister for Economic Affairs, by special decree, has given priority to repairs in essential war industries. The object is to ensure that urgent repairs which have been postponed for a long time are carried out. It is pointed out that production must not be hampered by neglected repairs. At the same time, factories are discouraged from diverting valuable material and labour for repairs which are normally done by specialised contractors.

Bones.—The Commissar for the use of waste and scrap material has established a special department for bones and horn with the object of utilising them more thoroughly for the war-economy.

Russia at War

The New Losses

THE new German advance to Rostov and beyond is, in many ways, a completion of last year's conquest of the Ukraine. Economically, the newly-lost territories were linked by strong ties with the area to the west which was occupied last autumn. The industries of the Rostov area were a part of the productive entity of the Southern Ukraine, with its iron ore base in Krivoirog, its coal in the Donetz basin, its iron and steel works at Mariupol and its large scale engineering plants at Voronezh, Voroshilovgrad and Rostov. Similarly, the farming area on the Don and around Rostov supplemented the great Ukrainian agricultural economy.

The following tables compare Russia's economic losses towards the end of last year, when the German offensive was brought to a standstill, and the new Soviet losses which have resulted from the withdrawal in the Don area and from the fall of Rostov. The figures are only approximate; their accuracy is by no means certain. The Russian administrative divisions to which statistical data relate do not always coincide with the actual battle zones. Most of the figures available were provided by the census taken in 1939; and, since then, many changes, apart from those caused by the war, must have taken place. The most important changes are those which are due to the course of hostilities, such as industrial and agricultural evacuation. But, in spite of all these shortcomings, the tables do reflect the relative proportions—if not the exact extent—of Russia's new losses; they also indirectly provide a clue to the scope of any probable industrial evacuation from the recent battle zones.

TABLE OF LOSSES

	Nov., 1941	End of July, 1942	Total
Territory (sq. km.)	1,200,000	150,000	1,350,000
Population (millions)	45	5.7	50.52
Sowing area (million hectares)	40	7	47
Cereal crops (million tons)	25	8	33
Wheat (million tons)	7	3.5	10.5
Railway lines (km.)	25,000	6,000	31,000

According to the 1939 census, the total figures for the USSR were: 21 million square kilometres of territory; 170.5 millions of population; 137 million hectares of sown area; 90 million tons of cereal crops, of which 31 million tons were wheat. The losses (new and old) expressed as percentages of the USSR total are given in the following table:

LOSSES IN PERCENTAGES (Round Figures)

	1941	July, 1942	Total
Territories	5.7	0.7	6.4
Population	26-27	3-4	29-31
Sowing area	31	5.5	36.5
Cereal crops	27	9	36
Wheat	22.5	11	33.5
Railway lines	30	7	37

The loss in territory is the least significant. The loss of population is, of course, very much smaller than suggested by the tables; according to the Soviet press about one-third of the population of the lost territories has been evacuated. The loss in cultivated land and in crops is very high; and only a small fraction can be made good by an expansion of agriculture in the east. Similarly, the loss in railway lines is not replaceable.

The next table gives an estimate of the comparative losses of industrial capacity (in percentages of the total Soviet output).

INDUSTRIAL LOSSES

	Nov., 1941	July, 1942	Total
Coal	5-10	45	50-55
Iron ore	60	—	60
Pig iron	—	—	60
Machine building	15	15	30
Steel	47	13	60
Rolled Iron	47	10	57

The figure for coal is lower than that suggested by the 1938-39 statistics, because it takes into account the development of the Kuzbass and Karaganda mines, which has probably reduced the share of the Donetz in total Soviet output from 60 to 50 per cent.

The Azov and Black Sea region is most important as a centre for the production of pig iron. It is, however, difficult to say what proportion of the total output of the region was produced in the Mariupol-Taganrog area, which was lost last year, and what proportion in the present battle zones. The same applies to machine building. When the South Ukrainian industrial district is taken as a whole, it will be seen that, last year, it was mainly the raw material base which fell to the Germans, while this year's conquests affect primarily the manufacturing centres of the local iron and steel industries—a fact which has an important bearing on the likely scope of evacuation, because, apart from the coal district, a much higher proportion of the industrial capacity of the newly-lost territories could be saved by evacuation than was the case last year.

The Northern Caucasus has now become the most directly threatened area. The economic importance of the Northern Caucasus and Transcaucasia is illustrated by the following figures. Caucasian territory is 1.6 per cent of the Soviet total; the population is 9 per cent of the whole; 7.5 per cent of the arable area lies in the Caucasus; and 14 per cent of Russia's cattle are bred there. In oil production, the Caucasus' share is about 85 per cent; of this 75 per cent comes from the Baku oilfields. In the actual danger zone of the Northern Caucasus, there are the old wells of Maikop and Grozny, which between them account for 3.4 million tons of oil, more than 10 per cent of the Russian output. Armavir and Tuapse are the great refining centres in the Northern Caucasus; the Armavir refineries are situated some 160-170 miles south of Rostov. Should the Germans be able to seize the Armavir-Maikop-Tuapse oil wells and refineries, then they would have won a great prize. But the Russian "scorched earth" policy will, no doubt, deny them the use of the Northern Caucasian oil; and, between Maikop and Grozny in the north and Baku in the south, the Caucasus mountains form a tremendous obstacle to any advancing army.

Shorter Notices

"The Democratic Advance." By Edward Mousley. Dakers. 198 pages.

Lord Ironside has said of this book that "the chapter on strategy is the best thing I have read in this backboneless world"—not perhaps an unqualified tribute coming from the man who was CIGS when British strategy was at its nadir. Nevertheless, the book is well worth reading. The author restates his view, elaborated earlier in *Man or Leviathan?* that "superior force is no less essential to maintain the victory than to win the victory"; that "the only alternative to war . . . is the rule of systematised power enforced, where necessary, by power"; that "in order to win at all we must strike down and supplant the rival order."

Mr Mousley is not humble. He seems convinced that he was the first to discover these truths. He appears to think that he is alone and not given his due—a man with a grievance as well as a message. *The Democratic Advance* is too repetitive. Its constructive chapters are much fuller of wordy phrases with no clear meaning than the author, who believes he has a plan, would credit. But if Mr Mousley still has no very clear plan, he is not alone in that; and he certainly has something to say worth listening to. This book, which is really a footnote to his earlier opus, would have made an inspiring and suggestive pamphlet.

"The Stock Exchange Official Year Book, 1942." Thomas Skinner and Co. (Publishers), Ltd. 3,165 pages. 24 net.

The regular production of that truly indispensable publication, *The Stock Exchange Official Year Book*, despite all wartime difficulties, is a matter for genuine congratulation. The work is, of course, increasingly complicated by censorship regulations as well as by the shortage of labour and materials. Yet, none of these hindrances is apparent from inspection of the latest volume, which is as comprehensive as ever, and includes a list of emergency addresses of companies and registrars in the supplement. It has again been necessary to omit general information and certain special chapters to comply with the requirements of the Paper Control, but these sections can be found in the 1940 edition.

THE BUSINESS WORLD

Insurance: A Wartime Industry

LIKE other industries, insurance has been mobilised for war. On the one hand, it has had to adapt its normal activities to war conditions, which have upset many former risk schedules; and, on the other hand, its facilities and resources have been enlisted in the war effort. Its world-wide organisation has been recruited to aid the Allied war effort and, where possible, to hamper the enemy's; its assets, both at home and overseas, have been mobilised to assist in financing the war; and a large proportion of its personnel has been released to join the Armed Forces.

It is natural, because it is these which most impress the imagination, to consider first the towering totals of insurance companies' assets. These assets derive partly from the need to accumulate funds as reserves for known liabilities, chiefly under policies of life assurance. In addition, there has been the desire, in the interests of security, to build up a sheet-anchor of free reserves to provide against unforeseen contingencies. It is largely because British insurers have always followed the practice of distributing less than they earn that the industry has been able to acquire its predominant international position and its immense financial strength. Even in times of peace, a large share of these assets was invested in Government securities. Now virtually all available cash is being placed in the Government till—not only new moneys, but also the proceeds of repayments and requisitions—and since the beginning of the war the total thus invested has been in excess of £200 millions. Since the net interest earned on Government securities is less than 2 per cent, and the

rate assumed for most life assurance contracts issued in the past has been 3 per cent or more, an appreciable sacrifice of profit-earning power has been involved.

This does not represent the sum total of the insurance companies' contribution from their assets. By virtue of their world-wide business, their assets at the outbreak of war included a considerable proportion of overseas investments, which were required to finance the purchase of war supplies from abroad. To the extent that these investments were not held as security for contracts in individual countries, they were mobilised very soon after the outbreak of hostilities. The "tied" investments could not be so readily realised, because they could only be sold as part and parcel of overseas businesses. The solution in regard to the major area involved—the United States—came with the announcement last July of the Reconstruction Finance Corporation's loan to the British Treasury. This loan was for a total of \$425 millions, and British offices' interests in subsidiary American insurance companies formed a substantial part of the security. Current interest and trading earnings in the United States are placed at the disposal of the Treasury for the service of interest and amortisation. All current earnings of British insurers throughout the world—companies and Lloyd's—are at the disposal of the Government. Actually, the profit-earning capacity of British insurance has been well maintained, although the occupation by the enemy of successive spheres of operations has naturally tended to reduce the volume and spread of business.

How has the industry's administrative organisation contributed to the war? Here, again, a distinction has to be drawn between the position in this country and the position overseas. At home considerable additional work has been taken on by companies and underwriters in acting as agents for the Board of Trade in the operation of Part II of the War Risks Insurance Act, 1939, providing for the insurance of commodities, and of the "Business" and "Private Chattels" schemes under Part II of the War Damage Act, 1941. This work, which involves the issue of policies at the rate of some five millions a year, has been undertaken on a non-profit basis. Although companies and underwriters are not responsible for the actual payment of claims under these schemes, they have accepted the work of handling all losses under the "commodities" and "business" schemes and have instituted a country-wide organisation for the purpose. In addition to their administrative organisation, their technical service has been placed at the disposal of the Government, and technical committees have been established throughout the country to assist Government departments in the vital work of fire prevention.

But the main business of insurance in fire, life, accident and marine has gone forward, without noticeable loss of efficiency, in the face of many wartime changes. As the nation's factories have been converted to war purposes, so fire insurance has followed *pari passu*; the insurance of motor vehicles has kept in step with the transfer of private and commercial vehicles from non-essential to essential work; marine insurance has completely changed its character, for, apart from the actual insurance of war risks, even the straightforward insurance of marine perils has taken on a considerable measure of war hazard. Not all the business now underwritten is such as would have been accepted in

time of peace. In fire insurance, for example, in their desire to afford full cover, offices have taken larger net lines than in normal times, when the assistance of the European re-insurance market was available, and this has involved some loss of underwriting stability. In marine insurance on hulls, much business is being written which would rather be avoided, for it is only too clear that, because of the limitation of repairs to work essential to keep ships seaworthy, there will be a long legacy of repairs to be made good in the post-war period, when the level of costs cannot be foreseen.

Abroad, the main pre-occupation has been with measures to ensure that British insurance protection should be withheld from the enemy and those working for him. An instance of this policy—which has involved the severance of many old connections—is the so-called ship warrant scheme. In these matters, insurers have worked in close co-operation with the Ministry of Economic Warfare and the Trading with the Enemy Department of the Board of Trade. Activity of this kind is, of course, useless if protection can be secured elsewhere; and although British offices and underwriters wield great power in international insurance, the British market is not the only one. It was with the realisation of this that two general managers accompanied a Treasury official to Washington last September—before America's entry into the war—on a mission of co-operation, which was very successful.

The insurance industry can claim to have adapted itself to the requirements of a wartime industry. The question of man-power is at the moment under examination by the Kennet Committee; it is known, however, that insurance offices have parted with more than half their pre-war male staffs and that an appreciable proportion of their permanent female staffs has also been called up.

Open Market Policy—II

By-Passing the Market

THE direct business in bills between the Bank of England and the clearing banks—described in an article last week in *The Economist*—assumed substantial proportions in the first eighteen months of the war. The bulk

of the floating debt borrowing during this period was made in the form of Treasury bills, and a considerable part of the clearing banks' increased holding of these bills came to them, not via the discount market, but direct from the

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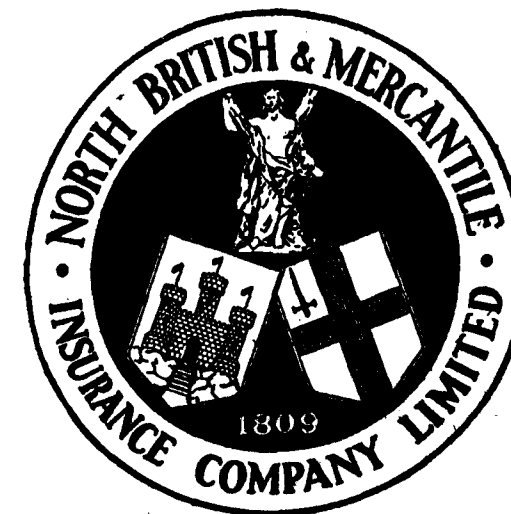
The following figures are extracted from the 1941 Report, a copy of which will be sent on request.

Total Business in force	£154,147,800
Assets increased to	£58,483,004
New Policies issued for	£9,014,184
Payments to Policy holders	£4,997,459
Surplus Funds and Special Reserves	£2,870,233



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there being a cash payment of 2 per cent, in respect of premium, to all holders of the Yorkshire Electric Power 5 per cent debenture. The recently offered Bass debentures stand at a point premium, and a similar fate is expected for the Watney, Combe issue.

Further Railway Interims

Like holders of Transport "C" and London and North-Eastern second preference stock, those of the Great Western ordinary are to receive increased interim payments. The interim is raised from 1½ to 2 per cent, which is exactly half the total distribution for 1941, but, exceptionally, the holders of LMS ordinary are again to wait until the end of the year for a payment. In the case of LNER, the warning has been issued that the higher interim must not be read as indicating a larger total payment. Thus, three of the five participants in the railway pool have evened out their half-yearly payments. In the

	Prices Jan. July		Dividends				
	High	Low	Close July 29	July, 1941	Jan. 1942	July, 1942	Yield %
Gt. Western Ord.	47½	39	45	1½	2½	2	8.889
LMS Ord.	20½	16½	20	...	2	...	10.000
LNER 2nd Pref.	23½	18½	22½	...	2½	1	10.556
Southern Pref.	66½	61½	65½	2½	2½	2½	7.663
" Deft.	17½	14½	16½	...	1½	...	10.448
Transport "C"	41½	38	44½	1	2½	1½	6.424

fourth case, that of the Southern, it appears that the re-casting of the capital structure makes it impossible to adopt a similar policy with regard to its deferred stock, even if it wished to do so. The preferred and deferred are, in fact, separate parts of the one stock, the ordinary, and it seems that nothing can be paid on the junior section until the claims of the senior for the year have been fully satisfied. The decision of LMS may be influenced by the fact that revenue, outside the rent charge, is relatively important to this company. The table gives the range of quotations for the six stocks in question over the first half of this year, the latest closing price, the yield on last year's dividend, and payments at the last three half-years. It will be seen that the yields are such as to discount an appreciably less favourable experience under peacetime conditions, except, possibly, in the case of LPTB.

Insurance Share Index

The position of *The Economist* index of insurance shares at June 30, 1942, with comparative figures at half-yearly intervals since the middle of 1940, is shown in the

Company	June 30, 1940	Dec. 31, 1940	June 30, 1941	Dec. 31, 1941	June 30, 1942
Alliance	1,260	1,512	1,554	1,848	1,806
Atlas	2,159	2,476	2,667	3,016	2,984
Caledonian	2,768	3,271	3,397	3,963	4,151
Commercial Union	2,177	2,993	2,939	3,320	3,537
Employers' Liability	1,892	2,297	2,252	2,486	2,522
Equity & Law	1,155	1,155	784	1,155	1,237
General Accident	6,667	8,667	8,833	11,000	11,333
Gresham Fire	2,381	2,381	2,381	2,857	3,077
Guardian	2,128	2,487	2,500	2,961	3,077
Legal & General	4,918	5,874	6,421	7,213	7,924
Life Assn. of Scotland	2,259	1,664	1,426	1,640	1,831
London & Lancashire	2,692	3,539	3,615	4,000	3,923
London Assurance	1,795	2,183	2,426	2,620	2,620
North British & Mercantile	3,822	4,204	4,140	4,777	4,713
Northern	1,313	1,522	1,493	1,731	1,761
Phoenix	1,150	1,353	1,421	1,624	1,624
Prudential	1,679	1,918	1,798	2,182	2,494
Royal Exchange	2,588	3,573	3,573	4,128	3,943
Royal	1,979	2,624	2,538	2,839	2,796
Scottish Life	2,584	2,360	2,247	2,458	2,640
Scottish Union & National	2,366	2,588	2,366	2,625	2,958
Sun Fire	1,822	2,311	2,311	2,604	2,622
Sun Life	1,814	2,217	2,217	2,519	2,418
Yorkshire	2,164	2,474	2,525	3,041	3,092
Average	2,397	2,818	2,826	3,144	3,234

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appended table. Calculations are based on the investment of £1,000 in each of 24 representative securities in 1913. Notwithstanding the reverses in Libya, the index discloses a further improvement in values, which have risen by 3 per cent in the six months, and are now almost restored to the level of December, 1939. Of the shares listed, 14 show increases, 7 decreases, and 3 no change. The most important movements are in *Prudential*, from 22½ to 26, and *Scottish Union and National*, which at 100s. are higher by 11s. 3d.

Company Notes

Hudson's Bay Accounts

The full accounts of Hudson's Bay Company for the year to January 31st last show that the improvement in total earnings was fully as satisfactory as was suggested by the preliminary statement discussed in *The Economist* of July 18, 1942. The trading account has an increase in gross profits from £703,520 to £949,488, and the land account from £79,500 to £121,542. With depreciation on the former account £10,000 lower at £140,000, the ordinary dividend, raised from 1 to 3 per cent, is fully earned, even in face of the jump in tax liability from £486,123 to £710,959 and the carry forward is slightly higher at £94,566. In the Land Account, where the transfer to capital reserve is up from £13,156 to £35,424, equity earnings are still nearly £20,000 higher at £53,544 and, after the increase in ordinary payment from 1½ to 2 per cent, tax free, the carry-forward is raised by nearly £4,000 to £17,358. The directors indicate that the improvement realised on Land Account was due mainly to the delay in marketing the good wheat crop of 1940. They point out that the area sown in 1941 and 1942 was some 25 per cent lower. The average price of land sold per acre was reduced from £1 6s. 7d. to £1 0s. 6d., partly on account of the sale of 24,000 acres of particularly low-grade land. Profits of the large retail stores again reached a new record level, while the Wholesale and Fur departments increased their earnings, the latter largely by the sale of Canadian, African and Asian furs in New York. The indications are, however, that, with the possible exception of the last named, limitation of supplies will progressively reduce turnover. The balance sheet shows a rise in net liquid assets from £2,999,070 to £3,141,181, most notably in stocks, from £1,314,231 to £2,143,789. Debtors are some £300,000 lower at £911,151, and creditors over £440,000 higher at £1,774,126. Economic activity will continue to increase in Canada as war production expands. There will, of course, be a contraction in the normal civilian trade side of the concern's business, and it remains to be seen what opportunities can be found to adapt activities to the necessities of war economics. As was expected, the repayment of £600,000 of preference capital will reduce the nominal value of the preference shares by 30s. to £2.

London County Freehold and Leasehold

With a further decline from £377,255 to £360,616 in total income of London County Freehold and Leasehold Properties for the year to March 31, 1942, this concern realised the lowest earnings since 1931-32, when the capital was much smaller. Since the charge for leasehold amortisation was again higher at £38,262, against £36,779, while maintenance reserve received £50,000, against £10,000, and interest required little less than in the previous year, at £221,424 against £222,832, there is a drop in equity earnings from £67,687 to £11,100, representing less than 1 per cent on the ordinary capital. Of the surplus, £10,000, against nil, is transferred to general reserve, and the remainder goes to raise the carry forward from £238,910 to £240,010. The last ordinary dividend was 8 per cent in 1939-40. Sir William J. M. Burton, the chairman, attributes the decline in profits to further loss of rent, higher cost of services and the necessity of raising the provision for doubtful debts. There is no provision for war-damage contribution, which is in arrears for the two years ending July 31 last, since payments on account of damage sustained, including substantial sums received since the close of the financial year, still leave an excess owing over contributions due, which amounts to £140,000 gross annually, equivalent to 5½ per cent on the ordinary stock. The

directors point out that the surplus of debenture, mortgage and bank loan and of current liabilities over liquid assets has been reduced from £5,749,367 to £5,601,275 over the past two years. An excess of liquid assets over current liabilities in 1940-41 of £33,030 has, however, been replaced by an excess of current liabilities of £53,335 in the latest financial period. Total reserves, though higher than two years ago, have declined in the last year from £1,797,017 to £1,765,536, mainly through reduction in war-damage reserve from £150,000 to £27,500. Bank loan, at £470,000, is £50,000 lower than in the previous year, while debtors, including sums estimated as recoverable on account of war damage, have risen from £112,950 to £184,197. Valuation of properties, which is scarcely changed at around £10,300,000, has not been adjusted for war damage. The continuance of war conditions and the burden of war damage contributions appear to put an ordinary dividend out of the question for the immediate future, but it is possible that, unless bombing restarts this autumn, rent receipts may improve so that preference payments will remain secure. The 10s. ordinary shares at present stand at par.

Cairn Line Setback

The Cairn Line accounts for 1941 show a fall in disclosed profits, after taxation, from £69,121 to £45,927. Repairs and maintenance charged against profits absorb only £6,490 against £10,156, so that equity earnings amount to £38,676, a decline of some £20,000. The ordinary dividend, maintained at 4 per cent, is covered by a rate of 12.9 against 19.4 per cent; total reserves receive £30,000 against £40,000 and the carry-forward is reduced from £9,716 to £6,392. Before the appropriation, general reserve and classification account were down by £11,531, against a fall of £1,262 in 1940. The setback in earnings is due partly to the fact that, in 1940, the company enjoyed the benefit of certain free voyages before the Liner Requisition Scheme came into operation; partly to the possession of smaller total tonnage; and partly to higher cost factors. The chairman, Major T. Russell, puts in a plea for a revision of the requisition terms, in view of the serious drain caused by the high cost of ship repairs. The balance sheet shows a strengthening of the financial position as a result of the reserve appropriations. Valuation of fleet is unchanged at £49,774, against which the company now holds a fleet replacement account of £50,000 and general reserve of £20,035. A reduction in debtors of some £177,000 to £22,365 is accompanied by a jump in cash holdings from £273,105 to £434,593 and the investment of £26,000 in marketable holdings. There is a rise in net liquid assets from £611,508 to £626,652. The results are consequently in line with average shipping earnings and the shareholders continue to enjoy a substantial cushion in the cover for ordinary dividends. The 10s. ordinary shares, at 7s. ex dividend, offer a yield of £5 14s. 3d. per cent.

UDT Contraction

As the war progresses, less and less of the national effort is devoted to satisfying individual wants, while the Treasury sees that necessary capital is, in large measure, provided for those working for the Services. In these circumstances, it is inevitable that there should be less demand for the facilities provided by the United Dominions Trust. Shareholders may, therefore, be satisfied that the showing of the company, and its six wholly owned subsidiaries, during the year to June 30th last, is a smaller loss than that incurred a year before. The figure is £45,114, against £59,658, and there has to be deducted from it a tax refund of £23,751. The result is that the cumulative preference dividend is met at the cost of reducing the carry forward from £43,035 to £7,297. The consolidated balance-sheet of the group shows a rise in cash and investments of £482,655, against a fall in notes in hand, loans and advances of £620,557, a clear indication that a good deal of old business is being successfully liquidated, and that the company is in a strong position to finance new ventures once conditions are ripe. Mr J. Gibson Jarvie, chairman, states that difficulties of collection persist, but that there are indications that losses will be much smaller than was originally thought probable. The year's loss has been sustained, in the main, by the parent company, as five of the subsidiaries have made profits. All six, however, show contractions in business, and it is not at all easy to see how any improvement is to be obtained until after the war, unless the company

ventures into new and untried fields, a policy which it is unwilling to adopt in existing circumstances. The price of the £1, 4½ per cent, cumulative preference stock units is 17s. 6d., yielding £5 2s. 10d. per cent.

Machine Tool Payment

The full accounts of Scottish Machine Tool Corporation for the year to March 31st last show a rise in profit, before tax and depreciation, from £98,481 to a record of £109,149. Depreciation takes a trifle more than last year at £20,616 and War Damage £3,545, compared with £2,000. Unfortunately, the rise in tax provision from £57,900 to £70,000 is greater than that in profit and the net amount available is down on the year. This is distinctly disappointing, but, for those who require income, there is a consolation in the fact that the distribution is to be 8 per cent plus a cash bonus of 2 per cent. This compares with 6 per cent for 1940-41. Earnings amount to 6.6 per cent, but Sir Harry Greer, the chairman, explains that the additional two per cent distributed is to make up for the ultra-conservative policy adopted a year before, and that the intention is to restore the usual rate of 8 per cent. In point of fact, published earnings over the two years amount to 14.6 per cent, so that there has been an over-distribution. The carry forward has been reduced, on that period, from £19,071 to £16,574, nothing placed to reserve, and nothing written off patterns and drawings. The balance-sheet shows a small reduction in fixed assets and a rise of £15,361 to £189,060 in net liquid assets. In his statement to shareholders, Sir Harry points out that, while selling prices are strictly controlled, the cost of those components which the company is obliged to purchase increases. Although the company is paying EPT, this means that the post-war refund is *pro tanto* reduced. The extent to which profit margins are cut by the numerous special controls seems to vary considerably, and this practice introduces an element of arbitrariness into the refund which is most undesirable. The price of the 4s. ordinary shares is some 3s. 6d., which gives a yield of some £9 2s. 10d. per cent on a distribution of 8 per cent. Unless tax provision can be reduced, it is difficult to see how this payment is to be made in respect of the current year.

Johnnies' Results

The ordinary shares of Johannesburg Consolidated Investment remained unchanged on the announcement of the maintenance of the ordinary dividend at 10 per cent. Ability to repeat the previous payment in the year to June 30, 1942, had been generally discounted, although it was perhaps not generally realised that there would be an increase in the rate of cover. The preliminary statement shows a rise in equity earnings from £530,689 to £534,000, representing a rate, unadjusted for taxation, of 13.5 against 13.4 per cent. For the first time since 1937-38, the management have decided to make a transfer to reserve, which receives £150,000, bringing the total fund to £3,200,000. There is a consequent draft on the carry forward of some £11,000, reducing it to £220,000. The 10 per cent dividend is subject to non-residents' tax of some 1.95 per cent on the net amount after deducting normal United Kingdom income-tax. In the absence of more detailed information, the improvement finds its most plausible explanation in a further expansion in finance business. It will be recalled that most of the gold mines in the group declared lower dividends on the year, owing in part to higher costs and in part to the rise in Union taxation. At the current price of 35s. ex dividend, the £1 ordinary shares yield £5 14s. 3d. per cent, subject to tax adjustment.

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar (\$1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable September 15, 1942, to shareholders of record at the close of business, August 20, 1942.

By Order of the Board,

Toronto, J. R. BRADFIELD, Secretary.
 July 21, 1942.

Industry and Trade

No More New Cars

Since July, 1940, when the purchase of new private cars was prohibited except by licence, output has been on a small scale. During the first half of this year, for example, 1,202 licences were issued to "persons or firms engaged in work of national importance to acquire" 1,620 cars. In view of the large numbers of second-hand cars still available, the production of even a small number can no longer be justified. Moreover, the abolition of the basic petrol ration and the introduction of a stringent needs test should provide a reserve of cars on which it might be possible to draw for essential purposes. Production is now at last to be stopped. In a reply to a question in the House of Commons on Thursday last week, Mr Noel Baker, Parliamentary Secretary to the Ministry of War Transport, said that arrangements had now been made to "terminate the manufacture of motor cars in the near future."

The Wages Front

The delay in negotiations over wages claims, due to the tendency of employers to reject the original demands and to their subsequent reference to arbitration tribunals, has been an important factor in slowing down the pace of advances. Not unexpectedly, the National Union of Railwaymen's demand for an all-round increase of 10s. a week which, it is estimated, would cost £14,500,000 a year, has been rejected by the railway companies; instead they have made an undisclosed offer which is now being considered by the executive of the NUR. The last increase in wages secured by railway operatives was in March when the Railway Staff National Tribunal awarded an additional 4s. 6d. per week, bringing the total advance since the outbreak of war up to 15s. 6d. per week. They now receive 65s. 6d. a week in the London area, 63s. 6d. in industrial, and 62s. 6d. in rural areas. Meanwhile, women in engineering are pressing their claims for a reduction in the admittedly wide gap between their own and men's wages. On Saturday last week, the Transport and General Workers' Union and the National Union of General and Municipal Workers submitted to the Engineering Employers' Federation a claim for a new minimum scale of wages for women. At present women doing women's work receive a minimum wage of 43s. a week, and, although provision has been made for the payment of a man's rate to women doing a man's job "without additional assistance or supervision," it appears that very few women in engineering have in fact been able to secure "the rate for the job." By a recent agreement relating to women employed in royal ordnance factories, those who carry out a skilled man's job with additional assistance or supervision receive between 75 and 85 per cent of the men's rate, according to their ability. The general claim now put forward is for a minimum of 55s. a week, which is equivalent to about 85 per cent of the appropriate men's rate.

Laundry Services

The demand for the services of laundries has tended to increase rather than diminish as a result of the war. In reception areas, facilities have been strained by larger numbers, and wherever they are, service requirements must be met. Laundries have lost part of their labour force, but the Essential Work Order is now applied where necessary. Laundry work can provide an outlet for the use of part-time labour. Delivery services have been cut down: work is collected and delivered at the same time, and often there is only one delivery in a fortnight. Many laundries cannot take on new customers. Some economies can be made in the use of laundries by the community, but certain facilities must continue. The President of the Board of Trade has appointed a Director of Laundry Services "to ensure that maximum output is obtained and is apportioned with the minimum disturbance of facilities." Mr P. A. Warter is to be Director, in addition to being Controller-General of Factory and Storage Premises. Under the Laundry (Control) Order (S.R. & O. 1433) the Director can allocate laundry capacity between service and civilian use in particular areas. The administration will be largely delegated to regional controllers, since laundries are essentially local services.

Care and Maintenance

Lancashire cotton weaving mill owners who have had their sheds closed under the concentration of production scheme, have decided to make an application for increased payments for "care and maintenance," following the success which has recently been achieved by the owners of stopped mills in the spinning section. A special committee of representatives of the firms affected is about to be appointed, which will be assisted by officials of the Cotton Manufacturers' Association in ascertaining facts. Concentration in weaving started in the autumn of last year. Compared with the spinning section, rather more success was achieved by voluntary agreements amongst manufacturers. It was estimated that there were about 500,000 looms in the country, chiefly in Lancashire and adjacent counties. No official figures have been published, but it is understood that about one-third of the machinery in the weaving branch of the industry ceased to work; about 330,000 looms have been given nucleus status. After some delay in arranging the financial terms, it was agreed that the running firms should contribute to a fund on the basis of £4 a year for looms of 40-inch reed space; up to now the "care and maintenance" payment has been £6 a year. It is understood that there now is a surplus in the "care and maintenance" fund, and it is probable that nucleus firms will not object to paying a small addition to the present levy. Since the scheme came into operation, certain costs have increased.

Clothing and Textile Prices Control

On July 24th, a new set of Orders and directions was announced by the Parliamentary Secretary of the Board of Trade after consultation with the Central Price Regulation Committee, fixing prices for cloth, clothing, household textiles, bedding and utility footwear. The Orders are a further instalment in carrying out the Government's price stabilisation policy. The Price Regulation Committee is engaged in considering other goods, and it is likely that more price regulating Orders will be issued. Utility cloth and clothing prices have been revised in view of the lifting of the purchase tax from these articles, and new lines have been added to the schedules. Prices have been fixed for utility household textiles, which include towels, tea towels, cotton sheets, blankets and quilts, and for mattresses and footwear, all of which are newly added to the list of utility articles now appearing, or about to appear, in the shops. Orders have now been made bringing prices of non-utility cloth and clothing under strict control. Manufacturers may not charge more than they did for comparable goods on June 30th last, and maximum margins of profit for wholesalers and retailers are laid down. For retailers these margins vary from 30 to 37½ per cent. In addition to cloth and clothing, control is established over non-utility hats and haberdashery, household textiles and bedding, and the orders apply to stocks as well as to goods in the course of manufacture.

Utility Clothing and the Purchase Tax

On page 118 of last week's issue of *The Economist* it was inadvertently stated that, from October 1st, retailers would have to sell all clothing free of purchase tax, even though the tax had been paid. In actual fact, retailers are allowed, under certain conditions, until January 31st to dispose of utility clothing on which purchase tax has been paid, at present prices. The incorrectness of the date mentioned last week does not, of course, invalidate the conclusions drawn. From October 1st, retailers will only be permitted to include purchase tax in the price if they comply with certain conditions, which include stating that they have paid purchase tax, and the taking of other steps in order that the fact may be easily proved. Until September 30th, it is left to the retailer's honesty not to charge the higher price if purchase tax has not been paid. There may be few purchasers of utility clothing during the next two months, and the consumer may buy warily from the beginning of October to the end of January; the wisest will probably postpone purchases of utility clothing until after January 31st.

Sisal Production De-Restricted

At the annual meeting of Sisal Estates, Ltd., an East African sisal plantation firm, Colonel C. E. Ponsonby said that at the end of 1941 the British Government withdrew its restrictions on sisal production and called on East African producers for a maximum output. Shortage of labour is causing anxiety to African sisal plantations, but it is expected that steps will be taken to transfer workers from less essential branches of East African agriculture. Arrangements have been made between the United States and Mexico by which the latter is to increase its production of *henequén* fibre without delay. The chief reasons for the sudden change in the position of sisal supplies are the loss of the Philippines and the Dutch East Indies and the entry of the United States into the war. Before the war, world production of hard hemp fibres amounted to about 600,000 tons per year, of which the Continent of Europe absorbed over one quarter. The European countries now controlled by Germany absorbed in particular about 70,000 tons of East African sisal out of the total Kenya and Tanganyika production of about 130,000 tons. At the outbreak of war the East African plantations were faced with ruin. The Ministry of Supply agreed to acquire the East African output, on condition that production did not exceed 100,000 tons per year. Even this quantity exceeded United Kingdom requirements and led to certain accumulations of stocks. The United States showed little interest in East African sisal until last December. Before then the position was such that the British Government took steps last year to ascertain the reactions of the Dutch East Indies and Mexico to a world restriction scheme, by which excessive accumulations of sisal and a possible breakdown of prices after the war could be avoided. The loss of the Philippines, which produced between 150,000 and 200,000 tons of hard hemp fibres (chiefly Manila hemp) a year, and the Dutch East Indies, which used to put 90,000 tons of sisal on the world market, have completely reversed the supply position. Recently the United States has been an active buyer of sisal in East Africa without being able to cover its whole requirements from current supplies. Although the great bulk of the world's sisal used to provide binders in agriculture (chiefly for cereals) the product is to-day playing an important part in a number of war industries, especially in shipping, where it is needed for such things as ropes and tow mats. Despite

rising East African and Mexican production, strict economy will be needed to meet current Allied requirements.

Coal Output Bonus

It now seems probable that an output bonus scheme will be brought into operation in the coal-mining industry at an early date. The Greene Board of Investigation recommended this expedient in its report on the wages issue on June 18th last, and suggested that it should take the form of wage additions in accordance with a sliding scale for increases in output beyond a prescribed standard figure (adjusted from time to time to meet changes in manpower and other factors beyond the control of the workmen) for each pit. These additions were to be calculated in terms of so many pence in the £ of the earnings of each worker over four-weekly periods, and the standard output proposed by the Board was 95 per cent of the target figure allocated to each pit by the Coal Production Council in November, 1941, based on the four best weeks' production during April/July that year. The provisional scale of payments would have secured for each wage earner a weekly addition of 1s. 2d. in the £ when the target was reached, 2s. when it was exceeded by 5 per cent, and 3s. by 10 per cent or more. On the current approximate average earnings of £5 10s. per week, this scale would have meant weekly additions ranging from 6s. 6d. for producing the target figure to 16s. 6d. for improving upon it to the extent of between 400,000 and 450,000 tons per week. To what extent these proposals will be embodied in the final scheme is not yet known, but the most promising development during the past few days has been an agreement between the representatives of the employers and miners on joint proposals relating to the preparation and introduction of an output bonus scheme. These proposals were debated in conference with the Board of Investigation last Monday, when Lord Greene intimated that he would be reporting to the Government, and when a general desire was expressed that the scheme should be introduced with the least possible delay. It is understood that the owners, like the Board of Investigation, favoured a scheme based on the output per pit, but apparently it is a district basis that was ultimately adopted, under the joint proposals of the representatives of the owners and workmen.

INSURANCE NOTES

ROYAL; LIVERPOOL AND LONDON AND GLOBE; YORKSHIRE

THE Royal has had a very satisfactory year, premium income in 1941 being higher by about one million pounds and profits substantially better than in the previous year. The chairman (Mr A. Kentish Barnes), in his statement on the accounts, attributed the expansion in fire income to rising values and the growth of industrial activity. Losses were lower at home, but heavier in the United States, several fires of exceptional severity having occurred; Canada produced a moderate profit and results in Australia and New Zealand were again highly satisfactory. In the accident department the US subsidiary—the Royal Indemnity Company—again produced satisfactory results, coupled with a considerable increase in premiums, and the Dominions and general foreign field make a substantial contribution to the aggregate results. The marine account discloses a good profit on 1940 operations, but the chairman stressed the many uncertain elements in the position. New life business at a net figure of £3,195,000 was slightly higher; war deaths cost £74,000 out of total death claims of £902,000.

Net interest earnings on general funds amounted to £867,000, a rather sharp fall on the 1940 figure of £967,000. With underwriting profits of £1,238,000 and a transfer of £132,000 from the marine suspense account, being an amount now released in respect of earlier years' accounts, the aggregate credits to profit and loss come to £2,237,000. Of this sum £240,000 was transferred to staff superannuation funds and £425,000 set aside as provision for British taxation. Loss on investments realised absorbed £75,000, £350,000 was written off investments—a purely precautionary measure—and £50,000 was written off freehold house property. The dividend, which is unchanged at 6s. 6d. per share, less tax, takes £923,000, so that the balance carried forward at £2,307,000 is higher by £174,000. The balance-sheet position is strong, with additional reserves in the fire and accident funds of £7,000,000, a marine fund at 118 per cent of premiums, and a general reserve of £1,500,000 in addition to the balance of profit and loss account. The chairman stated that book values of investments in the aggregate are substantially exceeded by market values and that full provision has been made for investments in territories in enemy occupation; new investment in this country has been confined to Government war loans and the company has also been able to support the call for subscriptions in the United States, Canada, Australia, New Zealand and South Africa.

The *Liverpool and London and Globe*, which is associated with and under the same management as the *Royal*, also enjoyed a substantial addition to premium income and an improved profit. Its results were governed by similar considerations to those affecting its associate, but the remarks of the chairman (Mr A. Kentish Barnes) throw further light on some aspects of the business. Concerning home fire insurance, the chairman indicated that while advancing values and expansion of industrial activity brought increases in sums assured, the latter have not generally kept pace with rising values, and he particularly urged householders, shopkeepers and property-owners to re-examine their policies in the light of present-day replacement costs. In the accident department, the restrictions on the supply of petrol, tyres and accessories, which did not appreciably affect the volume of motor insurance written in 1941, are likely to have considerable bearing in 1942. The particularly large increase in marine premiums—26 per cent—is largely attributable to business in the United States. New business in the life department at £1,331,000 was lower by about £60,000; the chairman mentioned that rather than attempt spectacular figures the company preferred, as a general policy, to concentrate on protecting the interests of the present life assured. Death claims at £391,000 include £35,000 on account of war deaths.

Combined underwriting profits of £779,000 are supplemented in the profit and loss account by net interest on the general funds of £324,000—a reduction of £50,000, due entirely to the effect of British taxation—so that aggregate credits come to £1,103,000. Trustees of pensions funds received £100,000 and provision for British taxation took £200,000; there was a loss of £55,000 on investments realised and sums of £250,000 and £50,000 were written off investments and house property respectively. Interest on debenture stocks accounted for £17,000 and after making provision for the dividend, which is unchanged at 27s. per share, less tax, and cost £363,000, the balance of £1,527,000 carried forward was higher by £68,000. Additional reserves in the fire and accident funds amount to £3,025,000, and apart from the balance of profit and loss account there is a general contingencies fund of £2,000,000, which remains entirely free. The company has written off, or offset by reserves, all investments in enemy and enemy-occupied countries and made full provision for all liabilities in these areas.

The accounts of the *Yorkshire* show a large addition to fire premiums, a substantial part of the increase being derived from

(Continued on page 156)

COMPANY MEETINGS

METAL BOX COMPANY
LIMITED

RECORD EXPANSION

MR. ROBERT BARLOW'S
REVIEW

The twenty-first annual ordinary general meeting of the Metal Box Company, Limited, was held, on the 29th ultimo, at the Connaught Rooms, Great Queen Street, London, W.C.1.

Mr. Robert Barlow (chairman of the company) presided.

The Secretary (Mr. John Cartner) read the notice convening the meeting and the report of the auditors.

The Chairman's review, which had been circulated with the report and accounts, and was taken as read, was as follows:—

I would refer first to changes in the board since the last general meeting. Mr. F. N. Hepworth, who had been chairman of the company since its formation in 1921, expressed a desire to relinquish that position, and at the request of my colleagues I agreed to combine the duties of that office with my position of managing director. I should like to pay tribute to the great services Mr. Hepworth has rendered to the tin box industry in general and our company in particular over a long period of years. Mr. A. McKinsty, M.Sc., M.I.Mech.E., M.I.E.E., has been elected to the board, and his wide business experience is proving of great value to us.

At the request of the Minister of Production I have accepted the chairmanship of the Industrial Panel which he has set up, and I am devoting some part of my time to that work.

The year under review has been one of effort and accomplishment in offices and factories at home and overseas, and I wish to record my appreciation and that of my colleagues of the continued loyal service rendered by all our workers and staffs.

SUBSTITUTION OF LACQUER COATING

The war has created many problems for us, and its extension to the tin-producing centres of the Far East has had far-reaching effects upon the supplies of our principal raw material, tinplate. Tinplate, being a steel sheet coated with tin, fulfils two main functions in the container industry; first the provision of an attractive appearance and a convenient medium for decoration, etc., and second the protection of the product from deterioration. For the protection of certain foods and other commodities the use of tin is essential and supplies for these continue to be available. In the majority of other cases, however, lacquer coating has been substituted for tin coating and we are satisfied that the protection it affords will be adequate for these purposes. Our research and development departments have had and continue to have, in consequence of these changes, a very busy time, and we have been happy to make available to those concerned the results obtained in this connection.

A high degree of standardisation of size, shape and type of containers has been developed during the year, resulting in considerable savings for the national effort in materials, labour and transport.

WELFARE OF EMPLOYEES

Working conditions and welfare of employees have continued to occupy our attention, and during the year we have extended and improved canteen facilities at our factories. Works committees consisting of representatives of management and employees have also been set up or extended at each factory. Through the medium of these committees we hope to augment the regular means of consultation and so secure the fullest co-operation for all measures

undertaken in the mutual interest of the company and its employees.

THE ACCOUNTS EFFECT OF WARTIME
TAXATION

The accounts now presented record further expansion but again reflect the effect of war-time taxation on trading, for while the balance of profit available for shareholders of £210,369 is approximately £10,000 greater than the previous year, it is, with the exception of that year, the lowest for several years, notwithstanding the increase which has taken place in turnover.

Following our practice of previous years we have written off expenditure incurred during the year on air-raid precautions and in respect of war damage premiums and contributions.

ASSETS EXCEED LIABILITIES BY OVER
£2,300,000

The consolidated statement reveals a strong position with reserves of £1,807,826 against ordinary capital of £1,488,743, and an excess of current assets over current liabilities of over £2,300,000. With the growth of the business stocks and debtors stand at higher figures, and this, with increased taxation liabilities, accounts for the rise in creditors.

The usual interim dividend of 5 per cent. was paid on the Ordinary stock on January 1, 1942, and your directors recommend for the fifth year in succession a final Ordinary dividend of 10 per cent. and a bonus of 2½ per cent. This leaves a balance of £45,482, which has been added to the amount carried forward. In addition, undistributed profits of the year of subsidiary companies, applicable to the shareholdings of your company, amount to £18,907.

Finally, we wish to express our greetings and good wishes to those of our employees who are on active service with the forces.

The report and accounts were unanimously adopted.

A final dividend of 10 per cent. (making 15 per cent. for the year), together with a bonus of 2½ per cent., less income-tax, on the ordinary stock, was declared.

The retiring directors (Mr. R. Beverley, Mr. J. Cartner, Mr. A. McKinsty and Mr. J. Ryan) were re-elected, and the auditors (Messrs. Hodgson, Harris and Co.) were reappointed.

A vote of thanks to the chairman, directors, staff and employees concluded the proceedings.

BEECHAMS PILLS, LIMITED

INCREASED TRADING PROFITS

The fourteenth ordinary general meeting of Beechams Pills, Limited, was held, on the 29th ultimo, in London.

Mr. Philip E. Hill (the chairman) said that for the tenth successive year their trading profits for the period under review at £1,175,646 showed a substantial increase. A particularly pleasing feature of that increase was the fact that the profits of their overseas business before charging foreign and British taxation were approximately £132,000 in excess of that of the previous year. Their contribution to the National Exchequer in taxation amounted for the year to £1,138,365, not including amounts paid in purchase tax.

Generally their products were deservedly increasing in popularity both at home and overseas. The company continued to pay particular attention to research and development and they had been fortunate in securing the assistance of some of the best brains in the scientific world.

This was the centenary year of the Beecham Pills business, on which their present organisation had been founded and developed. The manufacture of Beechams Pills by the late Mr. Thomas Beecham was started at Wigan in 1842. The business had succeeded from its inception. Mr. Beecham, who died in 1907, made no

attempt to merchandise anything but his pills. Since that time, however, there had been big developments, and today the company's products included foods, toilet soaps, tooth pastes, mineral waters, hair lotions, creams, shampoos, cosmetics of every description, agricultural and veterinary products, and medicines for dogs and cats.

It was the intention of the board as and when opportunity occurred to extend still further its operations in universal products of every description and to broaden the base of the group's construction with other than medicinal products.

The report was unanimously adopted.

GUEST KEEN AND
NETTLEFOLDS, LIMITED

HEAVY PRESSURE OF DEMAND

SIR S. R. BEALE'S STATEMENT

The annual general meeting of Guest Keen and Nettlefolds, Limited, was held at the Queen's Hotel, Birmingham, on Wednesday, the 29th ultimo.

The following is the statement of the Chairman, Sir S. R. Beale, K.B.E., which has been circulated with the report and accounts, and was taken as read:—

Once again I have to ask you to accept a rather brief letter instead of the longer review of the activities of the G. K. and N. group that was the pre-war custom.

During the past year there have been no changes on the Board of the company.

Pressure of demand has, of course, been heavy on all departments, and the only wish of everyone concerned is to continue to contribute to the limits of their individual capacity.

CONTROLLED PRICES AND RISING COSTS

The only comment that I need make on the accounts is that they record such a position as would be expected in present times, controlled prices and rising costs, coupled with taxation at a level with which we are all only too familiar.

Full provision has been made to meet taxation liabilities; you will see from the accounts that we have made purchases of Tax Reserve Certificates.

The last Finance Act held out hopes that the burden of the excess profits tax would be reduced, if certain conditions were complied with, from the rate of 100 per cent. to the rate of 80 per cent. It must not be forgotten that this apparent concession of 20 per cent. is reduced to a possibility of 10 per cent. with income tax at its present rate.

No provision has been made in the accounts for this possible concession in taxation, because it is impossible to say when the amounts conceded will be repaid even if it is found that the conditions qualifying the repayment when finally laid down can be complied with.

FUTURE EARNING CAPACITY

I referred above to rising costs and controlled prices; the former do tend to increase at a higher rate than the latter, and as long as the "Standard" rate of profit is earned the immediate result is to reduce the total of taxation payable. It must be remembered, however, that when in the future these increased costs cannot be offset by the increased output during the war, capacity to earn profits must be seriously affected.

As you would wish, I would record our great appreciation of another year of hard work by every workwoman and workman, and by every member of the staff and Board.

The report and accounts were unanimously adopted.

The retiring directors—Mr. T. S. Peacock and Lt.-Col. the Hon. C. H. C. Guest, M.P.—were re-elected, and the auditors having been reappointed, a vote of thanks to the chairman, directors, and staff closed the meeting.

GENERAL ELECTRIC
COMPANY, LIMITED

INCREASED PRODUCTION

The annual general meeting of the General Electric Company, Limited, was held, on the 30th ultimo, in London.

The Rt. Hon. Lord Hirst of Witton, the chairman and managing director, presided.

The following is an extract from the statement by the chairman circulated with the report and accounts:—

I can add but little to the directors' report of the company's activities during the year. I can assure you, however, you have every reason to be proud of your company and of the vital part it is playing. All our manufacturing organisations are doing their utmost to bring their full capacity to bear, and the whole knowledge and skill of the administrative, technical, and manufacturing staffs are engaged in development, design and production to meet the essential needs of today. We have managed to obtain an ever-increasing volume of production, the shortfall in some departments, due to Government restrictions, being more than offset by an increase in others. Our distributive and administrative organisation has maintained, in spite of shortage of staff, a high standard of efficiency, and every effort has been made to retain the good will of our customers. The activities of our research laboratories have continued with undiminished vigour—our expenditure in this direction has borne good fruit, both in the company's and in the national interests.

EXPORTS

As regards export, you are aware of the difficulties with which we have to contend, and I can only say I am amazed at the volume of shipments we have been able to maintain, thanks to the efforts of our export staff and the skill and courage of the officers and men of the Navy and Merchant Service.

The losses we have suffered in the Far East are naturally somewhat severe, though, foreseeing the danger, we considerably reduced our commitments in that part of the world. We have provided for all losses incurred in this year's accounts. Much as we regret the material loss, we regret still more that so many of our staff have lost their liberty and are now in the hands of the enemy, so far as our information goes. Those not serving with the Forces stayed at their posts to the end, but I am glad to say that our staff in Burma finally reached safety in India. All wives and children, too, were safely evacuated, save only the wife of our manager in Hong-kong, who, being a trained nurse, gallantly volunteered to stay on. We are seeing that suitable provision is made for all of them.

E.P.T. AND POST-WAR PROVISIONS

Whilst our efforts must necessarily be concentrated on the present needs, we cannot afford entirely to neglect the future, and we are doing what we can to plan for the post-war period. Financially, as I said last year, excess profits tax at 100 per cent. deprives us of the opportunity to provide, as we would wish, to meet the needs and difficulties which will follow the war. In a big company greater activity, such as we have today, inevitably means that we have to incur additional expenditure in many directions, which is not allowable as a deduction for tax, but which we, as prudent directors, have to write off from the year's profits. Such provisions as these fall, therefore, entirely on the net profits available for distribution amongst our stockholders, and in this year, coupled with increased taxation, have prevented us from placing any sum to provision for war contingencies as we did last year. We recommend, however, a continuance of the dividend at the same rate as last year, i.e., a dividend of 10 per cent., and a bonus of 7½ per cent.

The report was unanimously adopted.

CHARTERLAND AND
GENERAL EXPLORATION
AND FINANCE COMPANY,
LIMITEDMERGER WITH UNITED
EXPLORATION

The ordinary general meeting of Charterland and General Exploration and Finance Company, Limited, will be held, on the 6th instant, at 19, St. Swithin's Lane, E.C.

The following is an extract from the statement by the chairman (Mr. J. E. W. Lomas) circulated with the report and accounts:—

Revenue from interest and dividends on investments, etc., shows an increase of £2,362 over last year's figure, and difference on realisation of investments and depreciation written back shows an increase of £39,746, due largely to the recovery in market prices during the past year. The net profit for the year amounted to £67,853, as against £29,640 in the previous accounts.

The report shows that £25,000 has been transferred to general reserve, £15,000 to reserve for future taxation and a dividend of 10 per cent. is recommended.

In a circular accompanying the report the directors state:—

The Charterland and General Exploration and Finance Company and the United Exploration Company have for years past carried on closely similar businesses, at the same office and under practically the same direction. The directors of the two companies are now of opinion that amalgamation would benefit both companies.

At the ordinary general meeting of the Charterland Company the directors will seek consent to an increase of the authorised capital from £360,000 to £400,000 and, contingent thereon, confirmation of the offer made to the members of the United Company. If these resolutions are passed, the acceptance of the offer by the members of the United Company will be recommended at the meeting of that company.

VALUE OF THE ASSETS

A statement appearing in the circular, which had been examined and approved by the company's auditors, shows that (after excluding all unquoted assets and providing for the dividend recommended) the value of the ordinary shares of the Charterland Company on the basis of the underlying net assets at May 31, 1942, is equal to 6s. 2d. per ordinary share of 5s. fully paid.

A statement prepared on the same basis shows that the value of the capital stock of the United Company is equal to 4s. 10.8d. per 5s. unit of stock.

On the basis of these figures the Charterland Company has offered to acquire the whole of the assets of the United Company for 158,891 ordinary shares or units of stock of the Charterland Company, ranking *pari passu* in all respects with the existing ordinary shares. As the issued capital of the United Company amounts to £52,963 10s. stock in 211,854 units of 5s. each, the members of that company would receive three ordinary shares or units of stock in the Charterland Company in exchange for every four units of stock of the United Company which they hold.

So far as the Charterland Company is concerned, the proposals would materially strengthen its financial position and reserves, and with regards to the United Company its members would become members of a corporation having proportionately larger reserves, proportionately smaller dormant assets and commanding a freer market quotation. In the view of the directors, these last-mentioned benefits outweigh the slight advantage to the Charterland Company on the valuations given above.

MINING TRUST LIMITED

The thirteenth annual general meeting of the Mining Trust, Limited, was held, on the 28th ultimo, at Winchester House, E.C.2. Earl Castle Stewart, M.C., chairman of the company, presided. The following is an extract from the statement by the chairman which was circulated with the report and accounts for the year ended December 31, 1941:—

The accounts of the company are in their usual form and show that the share capital has been unaltered and that creditors are normal for the business. Investments at cost have been increased by the purchase of a further £100 of Eight per Cent. First "B" debenture stock of Mount Isa Mines, and £20,000 Two and a-Half per Cent. National War Bonds, and decreased by the return of capital amounting to £25,193 12s. 9d. made by New Guinea Goldfields, Limited, during the year with the result that the total under this heading is reduced by £5,093 19s. 9d.

Revenue for the year amounted to £121,493 2s. This represents a fall of £14,573 11s. 8d. as compared with the figure for last year. More than half of this fall in revenue is accounted for by the fact that the dividend upon shares held in New Guinea Goldfields, Limited, in respect of the year ending September 30, 1941, and amounting to £8,397 17s. 6d., was not declared until January, 1942, and therefore could not be included in this year's accounts of the Mining Trust. The remainder of the fall in income is due to a drop in the dividend received from Big Bell Mines, Limited, and to a small contraction in advisory and administration fees.

Expenses have been increased by £2,568 5s. 11d., due entirely to expenditure incurred on A.R.P. and the charge for income-tax deducted at source is increased to £39,929 2s. 3d. The balance of income over expenditure amounting to £58,839 7s. 11d. has been applied in reduction of the debit balance on income and expenditure account which is now shown in the balance-sheet at £679,309 17s. 2d.

NEW GUINEA AND MOUNT ISA

The Japanese invasion of New Guinea has necessarily brought to an end all operations upon the goldfield, at any rate for the time being, but the New Guinea Goldfields Company retains some £140,000 (Australian) in cash and Government securities which should be an ample reserve for opening up operations again as soon as hostilities cease. It is, however, not thought likely that the Edie Mine (including the Karuka vein) will be reopened. This will probably involve writing off some 35,000 tons of ore reserves located in the Edie area. On the other hand, the Koranga alluvial reserves have been recalculated and still stand at over 8,000,000 cubic yards averaging 1s. per cubic yard. The position of these reserves is considered very satisfactory when it is recollected that nearly 3,500,000 cubic yards had already been hydraulicked and treated up to October 1, 1941. Apart from the Koranga reserves, there are also other alluvial reserves calculated at 650,000 cubic yards with values estimated at between 4s. and 5s. per cubic yard.

Mount Isa Mines, Limited, is currently disposing of all its production of lead either to the British or Allied Governments, and is now disposing of substantial quantities of its production of zinc concentrates. Furthermore, it is expected this year that a moderate production of copper will be achieved. It is therefore hoped that the financial outcome for Mount Isa during the coming year will be somewhat better than for last year.

Cash at bankers increased during the year by £44,185. Our present cash and other liquid resources, including £20,000 Two and a-Half per Cent. National War Bonds 1946-48 and £10,000 Three per Cent. Savings Bonds purchased since the end of the financial year, amount to £541,000. Your directors feel that for the present all cash and other liquid resources must be rigorously conserved.

The report and accounts were adopted.

AMALGAMATED DENTAL COMPANY, LIMITED

The thirty-seventh annual general meeting of the Amalgamated Dental Company, Limited, formerly Claudius Ash, Sons and Company, Limited, and De Trey and Company, Limited, was held, on the 29th ultimo, in London, Mr E. Russell Polden (the chairman) presiding.

The chairman, in his statement circulated with the report and accounts, said: The results of trading, though greatly restricted in its world-wide operations, show further improvement, but having regard to the general situation and to the international character of the business, the directors feel that it would not be in the interests of the company to recommend an increase in dividend on the deferred

ordinary stock, which will remain at 5 per cent.

The profit from trading, etc., is £247,538, an increase of £55,385. After making full provision for taxation for the current year, the directors have decided to transfer to taxation and contingency reserve £40,000, and after providing for dividends the carry forward will be £63,088, an increase of £13,166.

The report was adopted.

GLOBE TELEGRAPH AND TRUST COMPANY, LIMITED

The sixty-ninth ordinary general meeting of this company was held, on the 28th ultimo, in London, Mr F. Alexander Johnston (the chairman) presiding.

The following is an extract from the

chairman's statement circulated with the report and accounts: You will have noticed with deep regret the passing of our late chairman, Lord Middleton. We deplore his death.

There is a further reduction in our net income which is chiefly due to excess profits tax and increased income tax—the present accounts show the full effect of an income tax of 10s. in the £. Our main source of revenue, Cable and Wireless, has again been very satisfactory. It would be foolish in these uncertain times to endeavour to make a forecast of the future, and I need only refer you to the remarks of Lord Pender and Sir Edward Wilshaw in the Cable and Wireless reports which have recently been issued for the position of our large holdings in that great company.

The report was adopted.

(Continued from page 153)

overseas business, and an excellent underwriting result in this department. Accident income also displayed a marked expansion but marine premiums are lower—a rare feature in 1941 accounts, pointing to a cautious policy. New life business at £1,118,000 showed a further contraction, the reduction being partly due to the cessation of life operations in Eire. Mortality from normal causes was favourable, but war deaths cost £36,000 out of total death claims of £273,000; the net rate of interest

earned fell from £3 13s. 1d. per cent to £3 11s. 7d. per cent.

Credits to profit and loss, including net interest of £66,000, amounted in the aggregate to £341,000. Outgo items include the sum of £72,000 for overseas taxation which, contrary to the more usual procedure, was not charged in the departmental accounts. Other expense charges, including £78,000 for income tax and NDC, absorbed £155,000. Provision for dividends (unchanged) requires £100,000 and the balance of £102,000 carried forward represents an increase of £14,000. There is a general reserve of £1,500,000.

PREMIUMS AND UNDERWRITING PROFITS, 1941

Department	ROYAL				LIVERPOOL & LONDON & GLOBE				YORKSHIRE			
	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Accident	5,754	+ 208	414	+ 157	3,964	+ 137	242	+ 94	1,007	+ 90	126	+ 72
Marine	6,580	+ 610	528	+ 20	4,928	+ 322	412	+ 23	1,385	+ 82	96	+ 4
	2,253	+ 199	250	+ 161	1,117	+ 231	97	+ 64	794	+ 6	25	+ 5
Total, excl. Life, etc.	14,587	+ 1,017	1,192	+ 338	10,009	+ 690	751	+ 135	3,186	+ 166	247	+ 73
Life	2,044	— 24	46*	—	997	— 3	28†	—	838	— 18	19‡	—
Capital redemption	14	—	—	—	8	—	—	—	60	—	—	—
Grand Total	16,645	+ 993	1,238	+ 338	11,014	+ 691	779	+ 135	4,084	+ 135	266	+ 73

* One-fifth of the Shareholders' proportion of the Life profits for the quinquennium 1935-1939.
† One-fifth of the Members' proportion of the Life profits for the quinquennium 1934-1938.
‡ One-fifth of the Shareholders' proportion of the Life profits for the quinquennium 1934-1938.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

AFTER a dull close at the end of last week, a number of factors have conspired to prevent any notable recovery in market sentiment. News of the fall of Rostov has driven home an impression that, militarily, the present phase is critical. As at so many other danger points during the present war, no selling pressure has developed, but there has inevitably been a renewed decline in turnover. The gilt-edged market felt the full effect of the general malaise and a tendency to unload 2½ per cent National War Bonds 1945-47 and 1946/48 was inspired by the Chancellor's decision against the creation of a new series. For the rest, leading undated issues were markedly out of favour, old Consols, 3½ per cent War Loan and Conversion and Local Loans suffering daily losses in the order of ½. After the Chancellor's announcement, 3 per cent Savings were also offered. In the foreign bond market, there was a recovery in Brazilian, Chilean and Peruvian issues at the end of last week. This week saw a further setback in Egyptian Unified and some weakness in Chinese loans following the news of Japanese reorganisation of the Chinese customs. The home rail market showed no strong reaction to the interim announcements. Before the week-end, a somewhat bullish tendency developed with a gain of ½ for Great Western and of ¼ for LMS, ordinary. Later, interest fell away and price changes mainly reflected the marking of stocks ex dividend. Among foreign rails,

Canadian Pacific issues moved irregularly, the ordinary being offered before the week-end, and there was little business in South American rails.

As in other sections, the industrial market suffered from sporadic and irregular price movements. Heavy industrials enjoyed more business than of late, but scattered gains and losses in the order of ¼d. failed to produce a definite trend. Among miscellaneous equities, International Nickel and Brazilian Traction were both lower on balance, but there was a steady, if modest, demand for Murex and Metal Box. Shipping issues were in demand, especially P. and O. deferred on dividend prospects, while, in mid-week, Cunard recovered from recent profit-taking. Guinness and Gallaher led the brewery and tobacco groups respectively, and there was an improvement in leading electrical equipment stocks. In midweek, the shares of certain specialists in the heavy industries were in particular demand, while electrical equipment shares were mostly firm. Turnover in general remained below the average of recent weeks.

Mining markets suffered from lack of interest, although scattered improvements among *kaffirs* were not uncommon. Daggas and E. Daggas lost pre-weekend gains on Monday and losses were suffered by such leaders as Sub Nigel, "Sallies," Union Corporation and Johnnies. The oil market was generally dull, all market leaders being lower on the week. Shell Transport, which gained ½ against the trend on Tuesday, reacted the next day, while Anglo-Iranian ordinary was consistently out of favour and speculation on

the fortunes of Mexican issues ceased to be attractive.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Corres. 1941	Security Indices
July 23.....	3,652	2,901	30 Ord. 81.5
" 24.....	3,325	2,806	20 Fixed 133.7
" 27.....	3,736	2,611	30 Ord. 81.4
" 28.....	3,013	3,083	20 Fixed 133.6
" 29.....	2,752	2,643	30 Ord. 81.1

* July 1, 1935-100. † 1928-100. 30 Ordinary shares, 1942 highest, 81.4 (Jan. 12); lowest, 74.3 (Mar. 23). 20 Fixed Int., 1942: highest, 136.6 (Apr. 29); lowest, 132.2 (Jan. 5). ‡ New basis in S.E. List. § Old basis.

New York

No recovery from the previous stagnation took place on Wall Street before the week-end. Taxation prospects continued to depress sentiment and irregularity, coupled with a failure to hold hesitant gains, was the dominant feature. Selective buying of rail issues was the most encouraging development, but this did nothing to promote a general improvement. Early in the current week, demand was more severely damped by the news of the fall of Rostov. At no time was there any selling pressure, but turnover fell away and the downward trend continued on balance. The effect of increased taxation on net earnings is becoming a factor of some importance.

Total share dealings: July 23, 333,000; July 24, 262,000; July 25, 116,000; July 27, 260,000; July 28, 265,000; July 29, 293,000.

* Two-hour session only.

STANDARD STATISTICS INDICES

(1935-36=100)

WEEKLY AVERAGES

	1942	July 8, 1942	July 15, 1942	July 22, 1942
Low	April 29	High	Jan. 14	
347 Industrials	62.4	75.0	71.4	72.4
32 Rails	58.44	71.09	62.9	63.5
40 Utilities	53.1	67.44	59.0	58.7
419 Stocks	60.8	73.3	68.9	69.7
Average	8.40%	6.72%	6.81%	6.72%

* 50 Common Stocks.
(a) Jan. 7. (b) Feb. 4. (c) July 15. (d) June 24.

DAILY AVERAGE OF 50 COMMON STOCKS

July 16	July 17	July 18	July 20	July 21	July 22
89.9	88.7	88.4	89.0	89.2	89.0
1942 High: 91.2, Jan. 5. Low: 75.2, April 28.					

Capital Issues

Week ending August 1, 1942	Nominal Capital	Conversions	New Money
To Shareholders only	4,634,900	4,634,900	—
Particulars of Government issues appear on page 158.			
Year†	Including Conversions	Excluding Conversions	
1942.....	932,957,863	919,295,049	
1941.....	950,715,180	898,580,598	

Indian Coffee.—The 1941-42 Indian coffee crop just harvested was estimated at 16,500 tons, of which 3,125 tons were sold to the Ministry of Food, about 3,000 tons exported to other destinations, mainly the Persian Gulf, and the remainder retained for local consumption. In peacetime France was India's best customer, followed by the United Kingdom, Norway, Switzerland, Australia and the Persian Gulf. According to 1939-40 statistics the total area under coffee in South India was about 180,000 acres, of which more than half is in Mysore, giving employment to a labour force of nearly 100,000 natives. India ranks with Kenya as a coffee-producer, its average crop being about 16,000 tons.

Cotton Export Allocations.—At the end of last week, the Cotton Board issued export allocations to merchant shippers for the production and export of woven cotton and cotton mixture piece goods for the three months ending September 30th next. No commercial allocation has been made for South Africa, and only urgent orders, sponsored by the South African authorities, will be approved. It is thought undesirable that exporters should retain large balances of unused buying allocations which might, at some later stage, be placed in the industry to the detriment of more urgent orders, and any such balance held was cancelled on July 21st. Merchants were asked to inform the Board of their wishes concerning the disposal of allocations less than 1,000 square yards before July 31st. It is understood that rather larger allocations have been made for British West Africa, which is almost the only market with which Manchester firms can now trade.

Ophthalmic Optical J.C.—The ophthalmic optical industry has set up a joint industrial council to provide machinery for joint action between employers and employees on questions of wages, working conditions and the settlement of differences. The industry manufactures, assembles and distributes spectacle frames and lenses, and cases.

Shop Workers' Wage Increase.—The joint industrial council for the retail drapery, outfitting and footwear trades has decided to increase wages from August 10th. The increase is 5s. a week for branch managers and manageresses, 3s. for men over 21, 2s. for men between 18 and 20, and 1s. 6d. for youths under 18. Women's rates are to rise by 2s. for those

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942.....	918,890,587	349,272	55,190
1941.....	895,229,752	3,280,846	70,000

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1942.....	912,700,708	707,076	5,887,265
1941.....	894,639,916	304,460	3,636,222

† Includes Government issues to July 21, 1942, only. Above figures include all new capital in which permission to deal has been granted.

Shorter Comments

Shell Union Oil Corporation.—Gross operating earnings second quarter 1942 \$80,072,300 (\$70,720,300). Net income \$2,572,400 (\$4,208,200). Consolidated income account for first six months 1942 shows earnings \$7,228,950 (\$7,829,946) or 55 cents per share against 60 cents per share. Mid-year dividend 40 cents on Common Stock as before.

Brazilian Traction, Light and Power.—Gross earnings, June, 1942, \$3,961,926 (\$3,602,456). Net earnings \$2,144,888 (\$1,950,051). Gross earnings 6 months to June 30, 1942, \$22,661,378 (\$20,397,259). Net earnings \$12,012,158 (\$10,877,126).

Canadian National Railways.—Gross earnings, June, 1942, \$31,789,000

(\$25,642,352). Net earnings \$9,445,920 (\$6,828,442). Gross earnings 6 months to June 30, 1942, \$169,415,000 (\$141,715,488). Net earnings \$39,518,870 (\$32,108,211).

Transvaal Gold Mines Working Profit.—The total estimated working profit of the gold mines of the Witwatersrand for June, 1942, was £3,707,815. The estimated working profit for May, 1942, was £3,734,707.

Celanese Corporation of America.—Consolidated net profit first half 1942 \$3,357,820 (\$3,149,921). Condensed Consolidated earnings statement for year to June 30, 1942, shows gross income before depreciation \$29,022,785 (\$18,434,541). Net operating profit \$22,898,455 (\$14,510,449). Net income for year \$7,313,584 (\$5,182,025).

Charterland and General Exploration and Finance Company.—Gross revenue for year to May 31, 1942, £75,029 (£33,254). Profit £67,853 (£29,641). To general reserve £25,000 (£5,000). Dividend increased from 7½ per cent to 10 per cent. Forward £8,552 (£4,993). Resolutions for conversion into stock of the ordinary capital and the raising of the authorised capital to £400,000 by the creation of 160,000 ordinary shares of 5s. are to be proposed at the annual meeting at 19, St. Swithin's Lane, E.C.4, on August 6th, at noon. The increase in capital is for effecting amalgamation with the United Exploration Company, Limited.

COMMODITY AND INDUSTRY NEWS

over 21, 1s. 6d. between 18 and 20, and 1s. for those under 18.

Mercury Metal Prices.—The Control of Mercury (No. 9) Order, which came into force on July 28th, increases maximum resale prices of mercury metal. Until further notice the Ministry of Supply's price will be £68 10s. per bottle ex warehouse in the United Kingdom in lots of eleven bottles and over. The Order provides for a maximum price for quantities over one bottle but less than eleven bottles of £69 15s. per bottle, and for larger quantities £69 per bottle. There are higher prices for lots of under one bottle and for redistilled grades. Mercury was previously sold from £48 to £48 15s. per flask, according to quantity.

Control of Production.—In accordance with its memorandum on the control of manufacture and supply of consumption goods (outlined on page 89 of *The Economist* on July 18th) the Board of Trade has now issued a series of Orders (SROs

Nos. 1451 to 1461 and Nos. 1510 to 1512) putting the proposals set out in the memorandum into effect.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN

(1937=100)

	Home	Export	Total	% Change from a Year ago
			Index	
1937.....	100	100	100	+ 1.0
1938.....	94	82	93	- 7.0
1939.....	105	80	103	- 10.7
1940.....	116	83	114	+ 10.7
1941 May.....	88	109	88	- 31.1
" June.....	122	105	122	+ 20.8
1942 May.....	100	97	100	+ 22.0
" June.....	108	77	107	- 13.3

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase Tax is not included; figures are therefore comparable throughout. For annual figures, 1935-1940, and monthly figures Sept., 1940-Oct., 1941, see *Economist*, Nov. 29, 1941. Source: Board of Trade Journal.

RETAIL FOOD PRICES.

	Average price per lb. at			Per cent. change from Sept. 1, 1939
	Sept. 1, 1939	June 1, 1942	July 1, 1942	
Beef, British—	s. d.	s. d.	s. d.	
Ribs	1 2½	1 3½	1 3½	11
Thin flank	0 7½	0 9½	0 9½	27
Beef, ch'd or frozen				
Ribs	0 9½	1 1	1 1	25
Thin flank	0 4½	0 6	0 6	35
Mutton, British—				
Legs	1 3½	1 5½	1 5½	12
Breast	0 7½	0 8	0 8	4
Mutton, frozen—				
Legs	0 10½	1 0	1 0	18
Breast	0 4	0 4	0 4	—
Bacon	1 3	1 8½	1 8½	37
Fish				
Flour (per 7 lb.)	1 1½	1 3½	1 3½	14
Bread (per 4 lb.)	0 8½	0 8	0 8	- 3
Tea	2 4	2 8	2 8	17
Sugar (gran.)	0 3	0 3	0 3	—
Milk (per qt.)	0 6½	0 8½	0 8½	29
Butter (fresh)	1 4½	1 7	1 7	18
Butter (salt)	1 3½	1 7	1 7	24
Cheese	0 10	1 1	1 1	10
Margarine, special	0 6½	0 9	0 9	35
Standard	0 6½	0 8	0 8	21
Eggs, fresh (each)	0 2	0 2½	0 2½	25
Potatoes (per 7 lb.)	0 6½	0 8½	0 8½	24
Index all trade weighted (July 1942=100)	138	189	189	36

Source: Ministry of Labour Gazette.

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	July 23, 1942	July 24, 1942	July 27, 1942	July 28, 1942	July 29, 1942
Crops.....	117.8	117.8	117.8	117.8	117.8
Raw materials.....	172.7	172.7	172.7	172.7	172.7
Complete index.....	142.7	142.7	142.7	142.7	142.7
	Mar. 31, 1937	Aug. 31, 1939	July 29, 1941	June 22, 1942	July 22, 1942
Crops.....	147.9	92.2	113.5	115.8	117.8
Raw materials.....	207.3	122.9	170.6	172.7	172.7
Complete index.....	176.1	106.4	139.2	141.4	142.7

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	July 22, 1941	July 7, 1942	July 21, 1942
Cereals and Meat	93.0	66.9	94.7	111.5	111.6
Other Food	70.4	61.1	97.8	101.6	101.6
Textiles	74.2	54.3	93.3	92.5	92.7
Minerals	113.2	95.4	129.4	131.9	131.9
Miscellaneous	87.0	77.6	113.2	120.0	120.0
Complete index.	87.2	70.3	105.4	113.9	111.8
1913 = 100	119.9	96.8	145.0	153.4	153.5

Finance

GOVERNMENT RETURNS

For the week ended July 25, 1942, total ordinary revenue was £48,508,000, against ordinary expenditure of £90,128,000, and issues to sinking funds of £150,000. Thus, including sinking fund allocations of £2,602,965, the deficit accrued since April 1st is £920,706,000 against £959,088,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	Receipts into the Exchequer (£ thousands)			
		April 1 to July 25, 1941	April 1 to July 25, 1942	Week ended July 25, 1941	Week ended July 25, 1942
ORDINARY REVENUE					
Income Tax	913,000	114,904	179,456	7,861	14,147
Sur-tax	78,000	9,478	9,040	459	313
Stamp Duties	90,000	31,854	31,953	1,350	2,032
Stamps	15,000	3,731	4,300	1,000	1,000
N.D.C.	425,000	55,585	81,008	3,325	4,960
E.P.T.	1,000	155	230	10	...
Other Ind. Rev.	1,000	155	230	10	...
Total Ind. Rev.	152,200	221,127	311,513	13,925	24,442
Customs	438,295	108,280	138,691	5,627	6,057
Excise	366,705	70,940	110,500	6,840	8,200
Total Customs & Excise	805,000	179,220	249,191	12,467	14,257
Motor Duties	34,000	6,262	3,399	...	...
Canadian Govt. Contribution	225,000	...	116,051	...	4,494
P.O. (Net Receipts)	10,000	3,850	6,200	500	1,150
Wireless Licences	4,300	...	690	...	...
Crown Lands	800	430	360	150	110
Receipts from Sundry Loans	5,000	1,509	770	...	2
Miscellaneous Receipts	21,000	18,859	31,180	1,128	4,053
Total Ord. Rev.	262,710	431,257	719,359	28,676	48,508
SELF-BALANCING P.O. & Broadcasting	102,523	28,850	30,600	1,450	1,200
Total	272,962	460,107	749,959	30,126	49,708

Expenditure	Estimate, 1942-43	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to July 25, 1941	April 1 to July 25, 1942	Week ended July 25, 1941	Week ended July 25, 1942
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	325,000	102,677	110,611	540	606
Payments to N. Ireland	9,500	2,402	2,348	363	336
Other Cons. Fund Services	7,800	3,073	3,392	...	236
Total	342,300	108,152	116,351	903	1,178
Supply Services	494,479	127,986	152,111	76,339	88,950
Total Ord. Exp.	528,649	138,048	163,762	77,242	90,128
SELF-BALANCING P.O. & Broadcasting	102,523	28,850	30,600	1,450	1,200
Total	539,000	141,698	166,862	78,692	91,328

After increasing Exchequer balances by £583,334 to £2,956,435, the other operations for the week (no longer shown separately) raised the gross National Debt by £42,481,763 to about £14,992 millions.

NET ISSUES (£ thousands)		100
P.O. and Telegraph	...	67
Overseas Trade Guarantees	...	167
NET RECEIPTS (£ thousands)		38
Overseas Trade Guarantees	...	...

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between July 25th and July 31st. (Figures in brackets are par of exchange.)

United States. \$ (4-36½) 4-02-03½; mail transfers 4-02-03½. Canada. \$ (4-36½) 4-45-47; mail transfers 4-43-47½. Switzerland. Francs (25-22½) 17-30-40. Swiss Krona (18-159) 16-85-95. Argentina. Peso (11-45) 16-95-17-15; mail transfers 16-95-17-15. Dutch West Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20. Panama. \$4-02-04; mail transfers 4-02-04½.

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (25-22½) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Piastres (110) 620. Italy. 11-25 lire.

FOUR WEEKS' CHANGES IN DEBT

NET INCREASES (£ thousands)		NET REPAYMENTS (£ thousands)	
Nat. Sav. Certs.	10,550	Treasury Bills	8,893
3% Defence Bonds	6,812	Nat. Sav. Bonds	275
2½% Nat. War Bds.	...	"Other Debt"	1,159
1949-51	64,450	Ways and Means	29,915
3% Sav. Bonds	44,750		
Treasury Deposits	63,000		
Tax Reserve Certs.	29,690		
	219,252		40,242

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits	Total Floating Debt
	Ten-der	Tap	Public Depts.	Bank of England		
1941						
July 26	960-0	1491-7	174-3	12-0	515-5	3153-5
1942						
Apr. 25	920-0	1757-3	251-7	17-0	487-0	3432-9
May 2	935-0	...	...	...	...	...
" 16	965-0	...	...	...	...	...
" 23	975-0	...	...	...	...	...
" 30	975-0	1805-3	254-8	...	518-5	3553-6
June 6	975-0	...	...	...	...	...
" 13	975-0	...	...	...	...	...
" 20	975-0	...	...	...	...	...
July 4	975-0	2,638-5	160-4	36-3	591-5	3426-7
" 11	975-0	...	...	...	...	...
" 18	975-0	...	...	...	...	...
" 25	975-0	1654-3	166-8	...	654-5	3450-6

TREASURY BILLS (£ millions)

Date of Tender	Amount		Average Rate of Allotment	Per Cent Allotted at Min. Rate
	Offered	Applied for		
1941				
July 25	75-0	163-6	75-0	19 11/84
1942				
May 1	75-0	148-0	75-0	20-0-30
" 8	75-0	143-8	75-0	20-0-73
" 15	75-0	135-4	75-0	20-0-65
" 22	75-0	143-9	75-0	20-0-78
" 29	75-0	151-5	75-0	20-0-70
June 5	75-0	147-3	75-0	20-0-56
" 12	75-0	131-6	75-0	20-0-67
" 19	75-0	124-3	75-0	20-0-90
" 26	75-0	141-4	75-0	20-0-58
July 3	75-0	143-9	75-0	20-0-54
" 10	75-0	157-7	75-0	20-0-32
" 17	75-0	139-6	75-0	19 11-93
" 24	75-0	136-6	75-0	20-0-60

On July 24th applications at £99 14s. 11d. per cent for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 42 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury Bills are being offered on July 31st. For the week ending Aug. 1st the banks will be asked for Treasury deposits to a maximum amount of £15 millions.

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

Week ended	N.S.C.		3% Defence Bonds		3% Savings Bonds		2½% War Bonds 1949-51	
	1941	1942	1941	1942	1941	1942	1941	1942
June 16	4,391	1,712	7,505	9,719	...	...	...	...
" 23	4,566	1,820	4,636	7,087	...	...	...	...
" 30	4,160	1,455	8,325	5,063	...	...	...	...
July 7	4,025	2,116	8,546	5,855	...	...	...	...
" 14	3,913	2,075	6,870	13,965	...	...	...	...
" 21	4,039	1,987	18,059	11,902	...	...	...	...
" 28	...	...	12,400	33,902	...	...	...	...
Totals to date	581,769	477,116	807,836	507,461	...	...	...	...

• 139 weeks. † 82 weeks. ‡ 42 weeks.
§ Including series "A." || Including all Series.
Interest free loans received by the Treasury up to July 28th amounted to a total value of £49,390,376. Up to July 25th, principal of Savings Certificates to the amount of £74,822,000 has been repaid.

Market Rates.—The following rates remained unchanged between July 25th and July 31st.
Egypt. Piastres (97½) 97½-98. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-177½. China. National \$ 2½-3½.

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

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. ½ cent pm-par. Canada. ½ cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between July 25th and July 31st:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

JULY 29, 1942

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In Circul.	824,147,869	Other Govt.	11,015,100
In Bank, De- partment	56,093,849	Securities	866,213,484
		Other Secs.	1,759,937
		Silver Coin	1,011,479
		Amt. of Fid. Issue	880,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,718
			880,241,718

BANKING DEPARTMENT

Proprietary Capital: £		Govt. Secs.: £	
Rest.	14,553,000	Other Secs.	118,925,313
Public Deps.	3,365,584	Discounts & Advances	7,115,933
	8,721,417	Securities	27,551,427
Other Deps.	136,862,275	Notes	56,093,849
Bankers	47,779,064	Gold & Silver Coin	1,195,411
Other Accts.	184,641,939		211,281,940

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

COMPARATIVE ANALYSIS (£ millions)

	1941		1942	
	July 30	July 15	July 22	July 29
Issue Dept.				
Notes in circulation	658-4	812-6	815-3	824-2
Notes in banking department	21-8	17-7	15-0	56-1
Government debt and securities*	677-6	827-2	827-2	877-1
Other securities	2-2	1-8	1-8	1-1
Silver Coin	0-3	1-0	1-0	1-1
Gold, valued at s. per fine oz.	0-2	0-2	0-2	0-2
Deposits:				
Public	188-00	188-00	188-00	188-00
Bankers	132-1	130-9	131-9	136-8
Others	175-5	177-4	177-4	193-7
Total	193-9	177-4	191-6	475-3
Banking Dept. Secs.:				
Government	158-8	150-0	166-2	118-8
Discounts, etc.	66-5	5-3	5-9	7-7
Other	23-0	20-9	21-2	28-4
Total	188-3	176-2	193-3	154-9
Banking depart. res.	23-5	18-9	16-2	57-0
"Proportion"	12-1	10-6	8-4	29-0

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £830 million to £880 million on July 29, 1942.

GOLD AND SILVER

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

Date	Cash	Two Mont
July 23	23½	23½
" 24	23½	23½
" 27	23½	23½
" 28	23½	23½
" 29	23½	23½

The New York price of fine silver remained at 35¢ per fine ounce throughout the week.

1½%; 4 months, 1½-1½%; 6 months, 1½-1½%; Treasury Bills: 2 months, 1½-1½%; 3 months, 1½-1½%; Day-to-day money, 1½-1½%; Short Loans, 1½-1½%; Bank deposit rates 1½-1½%; Discount deposit at 1½-1½%; at notice 1½-1½%.

NEW YORK EXCHANGE RATES

New York on	July					Jul 21
	22	23	24	25	27	
Cables	Cents	Cents	Cents	Cents	Cents	Cents
London	403½	403½	403½	403½	403½	403½
Montreal	90-000	90-000	90-000	90-000	90-000	90-000
Zurich	23-30	23-30	23-30	23-30	23-30	23-30
B. Aires	23-68	23-62	23-65	23-65	23-63	23-63
Brazil	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78. † Commercial Bills.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1941				Prices, Year 1942				Prices, Year 1942				Last two Dividends				Name of Security				Price, July 21, 1942				Price, July 28, 1942				Yield, July 28, 1942			
High		Low		High		Low		High		Low		High		Low		Name of Security		High		Low		High		Low		High		Low			
British Funds																															
Consols 2½% (1957) 83 82½ 3 s. d. 45/9 41/3 % a % b																															
Consols 2½% (1943-45) 112 112 3 11 5f 50/3 41/10½ 3½ a 11½ b																															
Conv. 2½% 1943-45 100½ 100½ 1 19 10 28/4½ 25- 13½ a 16½ b																															
Conv. 2½% 1944-49 101½ 101 2 8 3 22/9 18/3 3 a 5 b																															
Conv. 3½% 1944-53 103½ 102½ 2 11 0 20/8½ 14- 7 c Nil c																															
Conv. 3½% (after 1961) 108 108 3 4 10f 23/9 20- 7½ a 12½ b																															
Conv. 5% 1944-64 105 104½ 2 18 0 25/5 25/7½ 7½ a 15 b																															
Funding 2½% 1956-61 96½ 96½ 2 15 0 47/4½ 45- 12½ c 12½ c																															
Funding 2½% 1952-57 101½ 101½ 2 18 6 31- 4 a 6 b																															
Funding 3½% 1959-69 115½ 115½ 2 18 3 7- 5- Nil c 5 c																															
Funding 4½% 1960-90 101½ 101½ 2 7 0½ 23/7½ 21- 5½ b 2½ a																															
Nat. Def. 2½% 1944-48 102 102 2 16 0 17/6 15- 4 a Nil c																															
Nat. Def. 3½% 1954-58 100½ 100½ 2 6 3 0 10/10½ 7- Nil c Nil c																															
War Bonds 2½% 1945-47 100½ 100½ 2 18 0 11/ 6/3 Nil c Nil c																															
War Bonds 2½% 1946-48 100½ 100½ 2 18 9 33/6 3½ a 5 b																															
Savings Bds. 3%, 1955-65 100½ 100½ 2 18 9 33/6 3½ a 5 b																															
Victory Bonds 4½% 114½ 114½ 2 16 6 38/9 31- 5 b 2½ a																															
War Loan 3½% 1955-59 106 105½ 3 6 9f 10/11 2/3 Nil c 3 c																															
War Loan 3½% aft. 1952 106 105½ 3 1 0 28/9 22/9 7½ c 7½ c																															
Local Loans 3½% 1986-96 99 99 3 1 0 74/9 71/3 12½ b 10 a																															
Redemption 3% 1986-96 101 101 2 17 10 22/9 20/8 10 c 7 b																															
Austria 3%, 1933-53 101 101 3 9 4 38/9 34/6 3 a 5 b																															
India 3½% Red. Jan. 5, '43 101 101 4 9 0 84/3 78/4½ 17½ c 17½ c																															
Dom. & Col. Govts.																															
Australia 5% 1945-75 101½ 101½ 4 16 6 17/3 15- 10 c 10 c																															
New Zealand 5% 1946- 101 101 4 16 6 21/9 20/13 7½ c 7½ c																															
Nigeria 5% 1950-60 109 109 3 13 8 11/6 9/3 6 b 4 a																															
Corporation Stocks																															
Birmingham 5% 1946-56 108 108 3 12 6 32/6 29/4½ 2½ a 2½ a																															
L.C.C. 3% 96 96 3 2 6 40- 38/11 4½ a 5½ b																															
Liverpool 3% 1954-64 99 99 3 1 3 40/6 39- 5 b 3 a																															
Middlesex 3½% 1957-62 105 105 3 1 6 17/3 15- 10 c 10 c																															
Foreign Governments																															
Argentina 4½% Stg. Bds. 64½ 64½ 3 17 6p 21/9 9/3 6 b 4 a																															
Brazil 5% 1929-34 31½ 31½ 4 15 3½ 14/9 11/9 110 c 18 c																															
Chile 6% (1929) 81 81 4 11 5 26/4½ 24- 3 a 3 b																															
Egypt Unified 4% 11 11 3 13 2 13/6 11/4½ 17½ b 15 a																															
France 5½% 1930 82 82 3 13 2 69/6 65- 22½ c 20 c																															
Portuguese 3% 42½ 42½ 9 8 4 93/9 82/6 20 c 20 c																															
Spanish 4% 100 100 4 10 0 17/3 15- 10 c 10 c																															
Austrian 4½% Stg. Bds. 64½ 64½ 3 17 6p 21/9 9/3 6 b 4 a																															
Brazil 5% 1929-34 31½ 31½ 4 15 3½ 14/9 11/9 110 c 18 c																															
Chile 6% (1929) 81 81 4 11 5 26/4½ 24- 3 a 3 b																															
Egypt Unified 4% 11 11 3 13 2 13/6 11/4½ 17½ b 15 a																															
France 5½% 1930 82 82 3 13 2 69/6 65- 22½ c 20 c																															
Portuguese 3% 42½ 42½ 9 8 4 93/9 82/6 20 c 20 c																															
Spanish 4% 100 100 4 10 0 17/3 15- 10 c 10 c																															
Shipping																															
Cunard Steamship Ord. £1 16- 16/9 Nil Nil																															
Furness, Withy Ord. £1 23- 23- 5 c 6 c																															
P. & O. Def. £1 26/6 27- 2 a 2 a																															
Royal Mail Lines Ord. £1 22/6 22/6 5 c 6 c																															
Union Castle Ord. £1 17/6 17/6 5 c 5 c																															
Railways																															
B.M. & St. Sthn. Ord. Stk. 81 81 Nil Nil																															
Can. Pacific Cons. \$25 10 10 Nil Nil																															
Great Western Ord. Stk. 46 46 4 15 9 12/6 6- 4 c 2 c																															
G.W. 5% Cons. Pref. Stk. 108 108 4 11 6 32/6 29- 2½ a 2½ a																															
L.N.E.R. 4% 1st Pref. 20 20 9 15 1 20/6 8/10 10 c 4 c																															
L.M.S. Ord. Stk. 56 56 7 2 10 1/8 9d. 4 c 3 b																															
L.M.S. 4% Pref. 1923 56 56 7 10 0 1/8 9d. Nil c Nil c																															
London Transport "C" Stk. 66 66 10 5 11 55- 34/4½ 5 c 5 c																															
Southern Def. Pref. Ord. 17 17 10 5 11 54/8 27/6 10 c 5 c																															
Southern 5% Pref. Ord. 66 66 7 11 6 54/8 27/6 10 c 5 c																															
Banks and Discount																															
Alexanders (2, £1 pd.) 69/- 70/- 5 0 0 54/0½ 42/- 2½ a 6½ b																															
Bank of Australasia £5 5 5 8 0 0 47/6 35/7½ 10 c 10 c																															
Bank of England Stock 376½ 376½ 4 18 0 37/9 30/6 24 c 24 c																															
Bank of Montreal £100 445 436½ 4 11 6 45/7½ 42/3 3 a 7 b																															
Bank of New Zealand £1 73/6 73/6 6 2 6 68/7 60- 17½ a 11½ b																															
Barclays Bank "B" £1 64 64 9 3 6 69/9 64- 4 c 4 c																															
Chartered of India £5 54 54 4 8 0 115/ 97/6 15½ b 12½ a																															
Hongkong and S. £125 53/6 53/6 4 8 0 115/ 97/6 15½ b 12½ a																															
Lloyds "A" £1 fully paid 86/3 86/3 6 14 6 33/1½ 24/4 10 c 8 c																															
Nat. Dis. £2½ fully paid 62 62 4 0 0 17/1½ 13/3 Nil c 6 c																															
Nat. Prov. £5 £1 paid 66/6 67- 4 9 0 25- 12½ 12½ a 12½ a																															
Royal Bank of Scotland 459 455 3 14 9 63/6 31/3 20 b Nil a																															
Union Discount £1 47/6 47/6 4 4 0 33/1½ 30/3 3 a 5 b																															
Westminster £4 £1 paid 79/6 80/6 4 9 3 68 5 10 b 7½ a																															
Insurance																															
Alliance £1 fully paid 23 23 4 16 6 34½ 37½ 10 c 10 c																															
Atlas £5 £1 paid 12 12 4 7 6 33/2 24/9 10 c 5 b																															
Gen. Acct. £10 85/- 85/- 4 0 0 39/10 30- 15 a 20 b																															
Lancs. £5 £2 pd. 26 26 3 16 11 98/9 85/7½ 12½ b 7½ a																															
Lancs. £1 fully paid 16 16 2 6 0 19/6 18/6 2½ a 6 c																															
Lancs. £1 fully paid 14 14 4 1 0 65/8 58- 24 b 12½ b																															
Lancs. £1 fully paid 272 272 2 12 6 64/4 59/10 2½ a 2½ a																															
Lancs. £1 fully paid 8 8 3 15 9 86/6 80/6 10 c 10 a																															
Lancs. £1 fully paid 8 8 3 15 9 86/6 80/6 10 c 10 a																															
Investment Trusts																															
Adventure Cp. Ord. Stk. 182½ 182½ 5 9 7 46/3 36/7½ 80 c 45 a																															
Investment Trst. Def. Stk. 182½ 182½ 6 11 2 5/9 3/6 Nil Nil																															
Investment Trst. Def. Stk. 182½ 182½ 5 4 5 42/6 30/7½ 10 c 10 c																															
J.S. Deb. Cp. Ord. Stk. 191½ 191½ 5 4 5 42/6 30/7½ 10 c 10 c																															
Breweries, &c.																															
Bass Ratcliff Ord. £1 152/6 153/9 2 12 0 40- 34/4½ 11½ b 9½ a																															
Bourne & Co. Ord. £1 82/6 83- 4 8 9 6½ 15 b Nil a																															
Buttlers Co. Ord. £1 78/- 77/9 4 3 3 15/6 11/9 5 a 5 a																															
Winnies (Arthur) Ord. £1 93/6 95/6 5 8 6 7½ 62½ 5 a 5 a																															
Winnies (Arthur) Ord. £1 90/- 89- 5 1 0 7½ 62½ 5 a 5 a																															
Winnies (Arthur) Ord. £1 91- 61/9 4 18 0 33- 26/4½ 7½ a 20 a																															
Winnies (Arthur) Ord. £1 91- 61/9 4 18 0 33- 26/4½ 7½ a 20 a																															
Other Stocks																															
Ashanti Goldfields Ord. 4/ 38/9 39/4 8 2 3/4 3/4 3/4 3/4																															
Burmah Corp. Ord. Rs. 9 3/4 3/4 3/4 3/4 3/4 3/4 3/4																															
Cons. Glids. of S. Af. £1 32/6 31/10 6 5 32/6 31/10 6 5																															
De Beers (Def.) £2½ 8 8 8 8 8 8 8																															
Randfontein Ord. £1 33/1½ 33/1½ 12 10 33/1½ 33/1½ 12 10																															
Rhokana Corp. Ord. £1 52 53 2 5 2 52 53 2 5																															
Union Corp. Ord. 5/ 12- 11/9 5 5 12- 11/9 5 5																															
Sub. Nid. Ord. £1 87/6 88/9 6 14 87/6 88/9 6 14																															
W. W. Investments Ord. £1 27/6 27/6 27/6 27/6 27/6 27/6 27/6																															
Woolworth Ord. 5/- 52/6 52/6 52/6 52/6 52/6 52/6 52/6																															

(a) Interim dividend.

(b) Final dividend.

(c) Last two yearly dividends.

(d) Includes 2½% not subject to tax.

(e) Yield based on 1.55% basis.

(f) Yield based on 2½% basis.

(g) Flat yield.

(h) Free of tax.



THE ECONOMIST

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AUGUST 8, 1942

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A NEWSPAPER

ONE SHILLING

OVERSEAS BANK RETURNS

AUSTRALIAN COMMONWEALTH BANK—Million £A's

Assets	May 26, 1941	May 4, 1942	May 25, 1942	May 25, 1942
Gold and English ster.	17.71	24.95	25.95	25.95
Other coin, bullion, etc.	6.07	8.68	9.21	9.89
Call money, London	56.42	30.66	30.09	32.88
Secs. and Treas. bills	39.54	107.61	106.63	106.13
Discounts and advances	22.11	29.46	28.88	29.65
LIABILITIES				
Notes issued	65.87	96.86	97.86	98.36
Deposits, etc.	112.78	126.18	124.73	127.59

RESERVE BANK OF INDIA

Million rupees

Assets	July 18, 1941	June 26, 1942	July 3, 1942	July 10, 1942	July 17, 1942
Gold coin & bullion	444	444	444	444	444
Rupee coin	371	277	284	283	287
Balances abroad	429	608	801	795	845
Sterling securities	1,217	2,619	2,669	2,669	2,669
Ind. Govt. rup. secs.	885	1,223	1,223	1,223	1,223
Investments	80	86	90	81	93
LIABILITIES					
Notes in circ. India	2,558	4,432	4,468	4,507	4,497
Burma	189				
Deposits: Govt.	225	127	225	284	225
Banks	300	627	635	639	657
Reserve ratio	57.0%	67.1%	67.4%	67.4%	67.4%

U.S. FEDERAL RESERVE BANKS

Million \$'s

12 U.S.F.R. BANKS	July 24, 1941	July 1942	July 1942	July 23, 1942
RESOURCES				
Gold certifs. on hand and due from Treasury	20,303	20,551	20,550	20,550
Total reserves	20,612	20,825	20,834	20,832
Total cash reserves	293	261	270	269
Total U.S. Govt. secs.	2,184	2,909	3,038	3,047
Total bills and secs.	2,197	2,922	3,053	3,063
Total resources	23,862	24,966	25,345	25,092
LIABILITIES				
F.R. notes in circ.	6,771	9,480	9,508	9,563
Excess int. bank res.	5,180	2,320	2,070	2,300
Mr. bank res. dep.	13,117	12,246	12,042	12,551
Govt. deposits	954	548	946	298
Total deposits	15,830	14,147	14,289	14,196
Total liabilities	23,862	24,966	25,345	25,092
Reserve ratio	91.2%	88.1%	87.5%	87.7%

BANKS AND TREASURY RESOURCES	July 24, 1941	July 1942	July 1942	July 23, 1942
Monetary gold stock	22,664	22,740	22,742	22,745
Treasury & bank currency	3,161	3,315	3,319	3,321
LIABILITIES				
Money in circulation	9,634	12,489	12,502	12,546
Treasury cash and dep.	3,274	2,738	3,147	2,521

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

Assets	June 1, 1941	May 11, 1942	May 25, 1942	June 1, 1942
Gold and stg. exch.	24.31	24.04	25.58	25.92
Advances to State	18.18	33.38	33.75	33.69
Investments	3.77	4.15	4.15	4.15
LIABILITIES				
Bank Notes	21.78	24.32	24.65	24.98
Demand liab. : State	9.19	11.60	11.63	12.22
Banks and others	14.30	23.62	25.27	23.19
Reserve to sight liab.	53.6%	40.3%	41.5%	42.9%

BANK OF CANADA—Million Can. \$

Assets	July 24, 1941	June 17, 1942	June 24, 1942	July 1, 1942
Reserve: Gold	490.8	457.4	181.5	944.1
Securities	645.7	810.2	803.4	815.8
LIABILITIES				
Note circulation	395.9	534.8	534.7	541.2
Deposits: Dom. Govt.	33.8	51.5	35.0	31.3
Chartered banks	208.1	207.5	200.3	221.3
Gold and foreign exchange transferred to Foreign Exchange Control Board against securities				

PROVINCIAL BANK CLEARINGS

(£ thousands)

	Week Ended July 26, 1941	July 25, 1942	Aggregate from Jan. 1 to July 25, 1942
Working days	6	6	175
Birmingham	2,706	2,060	67,140
Bradford	1,796	1,554	65,459
Bristol	1,986	2,591	58,229
Hull	685	589	18,756
Leeds	1,856	879	29,307
Liverpool	845	824	24,726
Manchester	5,631	3,954	156,724
Newcastle	10,619	10,032	348,979
Nottingham	1,217	1,152	38,596
Sheffield	318	375	13,217
Southampton	598	565	20,440
Dublin	105	101	2,856
12 Towns	27,612	24,676	841,409
Dublin	5,992	5,894	176,350
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* July 19, 1941, and July 18, 1942.

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(1941 Accounts)	

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General Strike?

THE Indian Congress Party is in session at Bombay, to decide whether or not the people of India are to be called upon to strike against British rule. For Britain, Sir Stafford Cripps and Mr Amery have made it plain that civil disobedience will be met by firmness. There is no alternative, because it is the war effort of the free world that will be threatened if this move to bring India to a standstill is carried out.

Congress is considering the resolution of its Working Committee which was drafted early last month. Its starting point is a demand for the British Government to abandon its status in India and to hand over Indian government to an unspecified body of Indians. In mid-war this is impossible. There is no agreement among the Indian communities themselves, no basis for the provisional administration which Congress wishes to see set up, or rather to set up itself. It was on the rock of disagreement among the Indians themselves that the mission of Sir Stafford Cripps, which offered India independence in its own way, foundered. Mr Gandhi himself has admitted that the result of a British withdrawal now might be anarchy.

Mr Gandhi is ready to take the risk. On Tuesday, his draft resolution, which began the discussions at Wardha last month, was revealed by the Government of India. It

went much further than the resolution which was finally agreed upon. It declared that India needed no foreign assistance, military or political, and that the presence of foreign soldiers in India was a menace. It declared that India had no quarrel with Japan, and that if India were freed, Mr Gandhi's first step would be to negotiate with the aggressor. Mr Gandhi did not get his way at Wardha. Significantly, perhaps, he was restrained, largely by Pandit Nehru. The resolution before the Bombay conference welcomes the presence of Allied forces in India to ward off Japan and to help China, and the claim that Congress has no wish to embarrass the British or the Allied Powers is repeated. This is a long step from the quietism of the Mahatma.

Clearly, there is a wide gulf within the Congress party itself. Mr Gandhi is a pacifist; and, in his ethics, he can see no difference in kind, only in degree, between Britain and Japan. Pandit Nehru and probably the majority of Congress leaders are firmly convinced that the real danger comes, not from the old "imperial" rule of Britain, but from the "new order" of the Axis aggressors. Up and down India, inside as well as outside the Congress party, there has been grave uneasiness since the Wardha resolution with its threat of civil revolt was made known.

Why then does Mr Gandhi still hold the lead? Why does Pandit Nehru, for all his apparent realism, fully associate himself with the blatant unreality of the Wardha demands? Why is Mr Gandhi to be given plenary powers to organise disobedience? In part, it is because Pandit Nehru, no less than Mr Gandhi, sees in the present state of India and the world a chance to force on the freedom of India, at whatever risk. It is blackmail—from the highest motives, perhaps, but blackmail none the less. And, if this chance is to be taken, Mr Gandhi cannot be jettisoned. There is no alternative leader of the Hindu masses. Mr Gandhi is an appeaser, because he is a root and branch pacifist—and the wildest of politicians as well. Pandit Nehru and others are in no sense appeasers; but they cannot rally round them support enough without Mr Gandhi. So, incredibly, they go Mr Gandhi's way. Such is the logic of Indian politics.

It is plain now, first, that Sir Stafford Cripps offered the only possible way-out of the Indian impasse and, secondly, that the main Indian parties are neither willing nor able to take it. Mr Rajagopalachari now asks for a Congress-Moslem coalition, and Sir Tej Sapru for a round-table conference. Both have worked unceasingly for agreement and civil peace.

But they should know better than anyone, from their

own bitter experience, how impracticable these suggestions are. The British Government cannot neglect the smallest chance of reaching an eleventh-hour agreement. But, so long as the call to quit India stands, there is no possible accord. The other Indian parties, watching the gathering storm, fear Congress control much more than British rule. But there is no rallying point for this disquiet. Mr Jinnah is no more helpful in his policy than Mr Gandhi. He stands on the sidelines to seize advantage from what may happen. They will fight Congress, in a "freed" India, as readily as they would fight Japan.

The recruitment and the fortification of India still go on unchecked; and if Congress calls its strike, then the authorities will act at once to save the Indian war effort from sabotage. The real rallying point for India should be the war effort itself and the common danger of all the free peoples, including China. At heart, almost every Indian knows this; the pity is that so many seem so likely to fall in behind Mr Gandhi in, perhaps, the maddest crusade that history has ever seen. An appeal from Mr Churchill or President Roosevelt, or both, might strike a chord of full-hearted welcome throughout the sub-continent. Such an appeal should be made. But there is no guarantee that even this would keep Mr Gandhi and his victims from the Gadarene descent.

Twice Blitzed

NOWHERE is precept running ahead of practice more than in planning. Nothing is more heartening than the zeal and detail of the blue-prints which one bombed town after another is preparing for its rebuilding. Nothing is more dispiriting than the actual prospect which seems to confront them. Over them all, Coventry, Hull, Southampton, Plymouth and the rest, hangs the same question, "Where is the money to come from?" And from the Government there is still no answer. Rightly, it has been argued, from the solid experience of war economy, that if the physical resources exist, the programme is possible; if there are the building workers, the steel, the cement and the timber to rebuild the bombed towns, there can be no real obstacle to their rebuilding. But the rôle of finance remains crucial. It is to make what is possible actual. Before they can start their rebuilding, these towns will need to have, or to be given, a financial claim to the resources they require; and they will need the power at law to use the resources allotted them in the right way. At present, they have been promised neither. There has been too much talk about humbug and too little talk about finance.

Financially, the bombed towns are badly off. Destruction and evacuation have cut down sharply their revenue from rates. They are faced in each financial period with deficits. It is true that the Treasury has given help. Three-quarters of the deficits of these towns are financed by Treasury grants, one-quarter by Treasury loans. But, for the purpose of these grants and loans, deficits are strictly defined. Accumulated balances must first be used, and standard overdrafts thrown in, before Treasury aid is forthcoming. The only certain thing known by the bombed towns about their future financial position is that they will end the war with their rate income seriously curtailed, their accumulated balances gone, their banking accounts overdrawn to the hilt and their obligations increased by a debt to the Treasury amounting to one-quarter of all their wartime deficits.

It is not surprising, therefore, that the local authorities look with caution at their own reconstruction projects. Until they are given some earnest of satisfactory financial aid, they will not lightly envisage the large capital commitments which rebuilding must involve. However reluctantly, they will be compelled to contemplate the quickest possible rebuilding of bombed sites in order to restore their rateable values and bolster their post-war budgets. The programmes of land purchase needed for

replanning are costly; and until the future is made clearer and more certain, they will inevitably be avoided.

Nor is it only financial guarantees that are lacking. If the chance of reshaping England's towns, which has been given by bombing, is to be taken, local authorities, singly or in regional groups, will need, on the nation's behalf and within the framework of a national plan, wide powers of land control and land purchase. So far—except, it may be, in the inner circles and committees, where central policy is presumably being shaped—there is no national plan, no provision for regional reconstruction, and no positive scheme for housing or industrial location. There is not even a planning authority. The Ministry of Works and Planning is an agent; and where the inspiration and initiative for the planning of New England are to come from, no one yet knows.

Under this pall of doubt and uncertainty, hearts will inevitably grow sick. That the Government is keenly interested in planning on paper is common knowledge. Local authorities are being encouraged and even pressed to draw up projects for the redevelopment of their areas, for the zoning of sites for housing industry and public works, for the allocation of costs and for the apportionment of priorities between one scheme and another. This might admittedly be taken to prove that, when the objectives have been set, the means will be found; and Lord Reith did once say that financial aid would be forthcoming for the reconstruction of blitzed towns. But those who are being called upon to plan are sceptical. They ask two simple questions. How is it to be paid for? How, *quo warranto*, is it to be done?

Nothing is more urgently needed than a statement from the Government, in explicit terms, on the ways and means of physical reconstruction. Rebuilding cannot start now, but replanning must—it has done. It is not possible to replan positively and with conviction while the main elements in reconstruction policy are still unknown. In the bombed areas, for instance, there will be a sudden large need for houses when the war ends, on their outskirts as well as in their devastated areas. There will be a serious danger of heavy overcrowding and tawdry makeshifts. The local authorities will need new houses, controlled rents and some means of apportioning accommodation, in order of urgency, as new houses are put up. Nor is there any case, in equity or in expediency, for laying these costs upon the bombed towns themselves, with an onerous rate charge superimposed upon their

blitzed finances. New housing, to say nothing of new planning at large, will need to be, by one means or another, a national charge within a national plan.

The suspicion is that the old financial orthodoxy is still in control, that the old inadequate mixture of rates and subsidies is to be relied upon to carry the weight of reconstruction. If this is true, the local authorities will plan large and, by necessity, act small. The issues are big. The Government must decide between outright grants, development loans (perhaps interest free) and the introduction of new local taxes, over whole regions and

on property or incomes, in place of local rating—which has broken down at every strain for a generation. It is a decision which will decide the shape of post-war government as well as the course of reconstruction. Almost certainly, if the job is rightly done, three tiers of government will emerge, central, regional and local, each with its own finance and allotted powers within a national plan, and each with its own form of democratic control. At least the outlines of the decision must be made now, or else the blitzed towns of to-day will be the depressed areas and shanty towns of to-morrow.

Time on Their Hands

IN last week's debate on civil defence, Mr Morrison deplored the possibility that, as a result of the attempts to give civil defence workers useful employment in their duty hours, they might come to regard civil defence itself as a subsidiary occupation. But it is easy to sympathise with their attitude. They have watched the calls on Britain's manpower become more and more insistent; they have heard the popular demands for offensive action and a second front grow louder day by day; they have watched and listened with an increasing sense of impatience and frustration, because, amid all this striving of a nation which has at last reached full mobilisation, they find themselves with nothing to do.

It is quite true that a similar period of waiting, in the first year of war did not prevent the civil defence services from carrying out their duties with efficiency and valour when the need at last arose. It is also true that if the need returned, present discontents would be dropped, and wardens and firemen, rescue workers and ambulance drivers, would once again show the same tireless courage night after night. But now, rightly or wrongly, most people, civilians and civil defence workers alike, feel that they have got the measure of air raids; the latter, in particular, are confident that they will be able to cope with the worst that may befall. But, as the Select Committee on National Expenditure pointed out in its report on the civil defence services,

nothing could be more damaging to morale and efficiency than that men and women should feel that they are being retained for duty at times when they are unnecessary.

That was written after nine months of continuous raiding; it has been abundantly justified after, for most places, a year of comparative immunity.

It is not easy to find a remedy. As the Select Committee suggested, more use should be made of the compulsory powers granted under Regulation 26A in order to secure a larger recruitment of part-time workers and thereby reduce the numbers employed whole-time. So far those

powers have only been generally used for fire-watching and restricted to men; Mr Morrison has now fore-shadowed an extension to women, and some places are beginning to compel able-bodied men and women to undertake part-time civil defence duties of all kinds. Auxiliary workers like this, however, would for the most part only be available at night, because most of them are already occupied by day; and it is the day shifts that the whole-time members of the civil defence service find so tedious. Moreover, even if the policy of releasing one-third of the general services and one-sixth of the National Fire Service were pursued to its practical limits, there would still be the problem of finding a use for those left behind. There is also the danger that the men transferred will be the best and keenest, for they are more likely to seize the opportunity of finding useful employment, though it has been laid down that the Ministry of Labour must consult the local authorities to ensure that the civil defence services do not lose those whose experience is essential for the maintenance of efficiency. The aim should be to leave behind a small but efficient nucleus of whole-time workers who can be called for service over a far wider area than that of a local authority, which would imply basing the whole of civil defence regionally instead of locally. It is not perhaps without significance that the morale of the National Fire Service, which is the only branch to be administered regionally, appears to be much better than that of, say, the rescue service, in spite of the longer shifts it has to work.

There are other reasons in favour of administering the whole of the civil defence services regionally. The nucleus that is left behind must still be occupied if it is to be contented. In fact, the more efficient it is, the more it is likely to resent having nothing to do. Moreover, there should be no cause for some of the current grumbles—poor sleeping and working conditions in the depôts, favouritism in promotion, and so on. It is felt, not with-



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out justification, that if all civil defence were a national service administered regionally, many grievances could be eliminated.

There would still remain, however, the problem of occupation. Civil defence work depends so largely on improvisation that constant rehearsal is especially tedious because it is felt to be useless. Consequently, the employment of civil defence personnel must for the most part be in non-civil defence work, and since the whole-time force that is left behind after the transfer to industry takes place should be the bare minimum that is considered necessary, it cannot be moved far from its dépôt. Even within these limitations, however, there remain a number of jobs that it could be given to do. The important thing is to make the civil defence workers feel that the jobs are necessary and worth while, and not in the nature of unemployment relief works. There is, for instance, still a considerable amount of demolition work to be done in bombed areas; yet in some cases this is being carried out by building contractors, and apparently it is regular builders who alone can do repairs, although the heavy rescue service might very well be taught this sort of work.

Much more satisfactory would be bringing direct war work to the dépôts. Some firms have shown remarkable enterprise in obtaining machinery for making munition parts, and a little ingenuity on the part of the local or regional authorities should enable this to be done in the bigger civil defence dépôts. Mr Morrison was disappointing in this respect. He said that the Supply Departments considered the opportunities to be limited—surely rather a defeatist attitude, especially since such dépôts have the great advantage of a disciplined team of labour, ready to hand day and night. There is also the suggestion that each service might be made as self-sufficient as possible. The fire service, for instance, contains a number of tailors. Could they not make and repair the firemen's uniforms? Similar employment could be found for the cobblers and the hairdressers. The civil defence service has a fairly high proportion of the small shopkeeper class—people who opted for civil defence so that they could keep an eye on their businesses in their spare time—and each unit of civil defence could profitably be made into a small community. There would be the wage difficulty to get over. At present,

civil defence workers are allowed to do what they please in their spare time, and earn what money they can. But if they are employed on rush jobs for local authorities or private employers, such as clearing snow or delivering coal, they are only to receive their civil defence pay; in fact, the Ministry of Home Security only wants them to be employed on the sort of jobs for which the wage rate is less than this pay, in order to avoid any dispute. If they do direct war work in their dépôts, they will receive no additional payment, because it would place them in an invidious position *vis-à-vis* those civil defence workers who have no opportunity to earn it. Mr Morrison is considering, however, whether part of the contractors' payment could be available for the collective benefit of the service.

There is, of course, no case for treating civil defence workers over tenderly. Though unarmed, they are part of the forces of the Crown, and they cannot expect to be placed at an advantage, whether pecuniary or other, over the fighting services. Nor are they the only ones who, through the fortunes of war, must only stand and wait. But there are strong labour reasons for reducing the waste of manpower involved in civil defence to a minimum. No less urgent is it to prevent the complete demoralisation of what is, first and foremost, a citizen's service, and Mr Morrison ought not to have stigmatised those who are trying to prevent it as simply propagandists for the Fire Brigades Union. If the civil defence service has to have the disadvantages of the army, navy or air force, it has the right to expect the advantages—equality of conditions throughout the service, chances of promotion, and attention to welfare, which does not only mean periodic and preannounced inspections by Mr Morrison or his deputy. There is, too, more than a wartime importance in the maintenance of the civil defence service at the highest pitch of keenness and willingness. For in it there is the nucleus of the peacetime service which after the war will, it is hoped, be a permanent feature of democracy. If they are not allowed to rot, the men and women who saved English homes from burning, and rescued and restored their fellow citizens in a time of national peril, can be the foundations on which to base the new conception of service—by the people for the people.

Wartime Incomes—II

THE statistics of income distribution given in the House of Commons recently and discussed in *The Economist* last week (on page 132) have the defects of their merits. Being derived from income-tax returns, they are (or should be) close estimates. But, because of their origin, they entirely ignore the millions of small incomes which are never examined for the purposes of taxation. These small incomes have to be added to the figure given in the official statement before the complete picture of the distribution of individual incomes can be drawn.

Fortunately, this can be done within a narrow margin of error. The Budget White Paper (Cmd. 6347) gives estimates of the total of individual incomes, but for calendar years. There will not be any very great distortion if it is assumed that the total of individual incomes was the same in the twelve months ended April 5, 1939, as in the twelve months ended December 31, 1938, with a similar assumption for the later period. If this is done, it is possible, by subtraction, to get a figure for the total amount of income in the lowest range. (Actually, it is probable that incomes were slightly higher, in each case, in the fiscal year than in the calendar year. If so, this method will lead to a slight understatement of the total of exempt incomes. This should be borne in mind in what follows, but it should also be borne in mind that, since the error is present in both years, comparisons

between the two years are more likely to be correct than the actual totals.) By this method the following figures emerge:—

Range of Gross Income	GROSS INCOMES (i.e. Before Tax)					
	No. of Incomes		Aggregate Gross Incomes		Average Gross Income	
	1938-39	1941-42	1938-39	1941-42	1938-39	1941-42
Under £125	n.a.*	n.a.*	(£ Mn.)	(£ Mn.)	£	£
£125-£500	9,000	12,700	1,650	2,100	n.a.*	222
£500-£1,000	500	685	1,850	2,815	206	664
£1,000-£2,000	195	210	350	455	700	1,429
Over £2,000	105	105	270	300	1,384	5,048
			530	530		

*Not available

These figures reveal some curious movements. In the £125-£500 and £1,000-£2,000 classes, the average gross income before direct taxation appears to have increased during the war. In the lowest class, it has presumably also increased, and in the highest class it has remained stable. But in the £500-£1,000 class it has declined. This might mean either of two things—either that there has been a great migration across, but only just across, the £500 line, or alternatively that a large number of people who were in this class have lost income as a result of the war. Both these are likely. High wages and overtime may have given a number of wage-earners more than £10 a

week, but not much more. And there must have been a heavy proportion of young people in this class before the war who are now in the Services.

Figures of gross income, however, are less interesting than those of incomes after direct taxation has taken its toll. These are as follows:—

NET INCOMES (i.e. After Income Tax and Surtax)

Range of Gross Incomes	Aggregate Net Incomes		Average Net Incomes	
	1938-39	1941-42	1938-39	1941-42
Under £125	£ Mn. 1,650	£ Mn. 2,098	£ n.a.*	£ n.a.*
£125-£500	1,827	2,547	203	201
£500-£1,000	310	330	620	482
£1,000-£2,000	223	185	1,144	881
Over £2,000	330	205	3,143	1,952

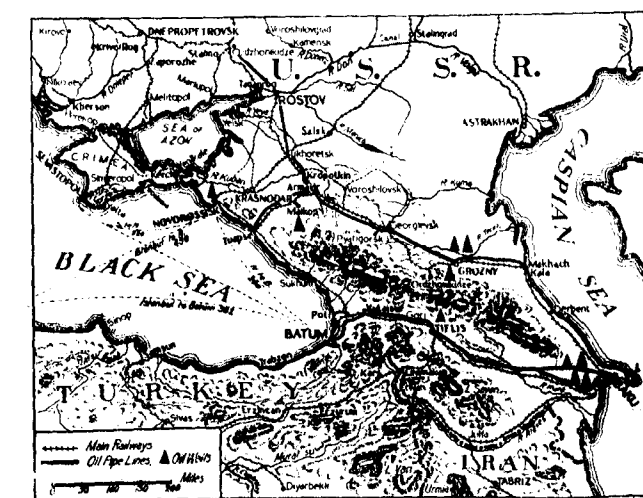
*Not available

These figures illustrate very clearly the effect that wartime taxation has had on the distribution of incomes—though it should not be forgotten, of course, that the burden of indirect taxation is necessarily heavier on the small incomes. A final table sums up the whole matter:—

NOTES OF THE WEEK

Caucasus and Volga

The enigmatic feature of the past week's fighting in Russia is the striking contrast between the rapid German advance south of the lower Don and the almost stationary position inside the Don elbow to the north-east. The narrow break through from Rostov to Bataisk was broadened within a few days to an impressive salient, extending from the



shores of Azov in the west to the region of Voroshilovsk. Inside this salient are substantial stretches of the Rostov-Baku and Stalingrad-Novorossisk railways. If the German claim to have reached Voroshilovsk is true, the enemy's gain is twofold: the Armavir-Maikop-Krasnodar oil district may have become a battlefield sooner than had been expected; and the enemy will have won a point of vantage from which he may be able to stride the Kuban, one of the few rivers which still retains the character of an important tactical obstacle. Marshal Timoshenko's forces may find themselves in a difficult position in the triangle between Rostov, the Kuban and the Sea of Azov. But while the battle of the North Caucasus has moved rapidly, the battle of the lower Volga has so far hardly made any progress. Russian resistance opposite Stalingrad has been tremendous. It is possible that the Soviet High Command has decided to put more power into the defence of the Lower Volga than into the defence of the Northern Caucasus. Economically and strategically, the Volga is not only more vital; it is also more defensible. To keep the Northern Caucasus intact would involve tremendous difficulties of supply and reinforcement. Grievous as the loss of the Kuban steppes may be, their defence would be much more costly in man-

PERCENTAGE DISTRIBUTION OF PERSONAL INCOMES

Range of Gross Incomes	Distribution of Gross Incomes		Distribution of Net Incomes	
	1938-39	1941-42	1938-39	1941-42
Under £125	35%	35%	38%	39%
£125-£500	39%	45%	42%	47%
£500-£1,000	7%	7%	5%	6%
£1,000-£2,000	11%	8%	7%	3%
Over £2,000	100	100	100	100

The first pair of columns shows the effect of what may be called the economic changes of the war; the second pair shows the effect of the economic changes together with that of taxation. It would appear that 79½ per cent of the gross personal incomes of the community, and 86½ per cent of its purchasing power (the net personal incomes after direct taxation), is now in the hands of those whose gross incomes are less than £500 a year. During the war, the middle classes (£500 to £2,000) have had their share in the national purchasing power reduced by one-fifth, the rich by one-half.

power and equipment than the defence of the Caucasus mountains further south. The defence of Stalingrad is important for political as well as military reasons. It was at Stalingrad that Stalin's political ascendancy started during the Civil War. The defence of that town by Stalin has become a true legend. Stalingrad is not only a key-town; it is also a touchstone of Russia's high morale.

The New Capitulations

Too much exception need not be taken to the passing of the United States of America (Visiting Forces) Bill, which provides that all criminal offences on the part of members of the armed forces of the United States in the United Kingdom shall be removed from the jurisdiction of the British courts. Difficulties may arise. In particular, there are almost certain to be cases of joint offences by Americans and British subjects, where the defendants, unless the provision enabling the American authorities to waive their jurisdiction in certain circumstances is availed of, will be tried by different courts. One may be found guilty and the other not, or one may be given a severe sentence and the other let off with a caution. This possibility apart, the American Army code is probably extensive enough to cover all acts which would be considered criminal offences by the law of this country, and an assurance was given that, in the administration of the American courts-martial, the American authorities will give the necessary co-operation to ensure that witnesses will not have to travel long distances and so on. But the gravest exception must be taken to the way the Bill was passed. It was rushed through the House of Lords on Wednesday of last week and through the House of Commons on Tuesday of this week, just before the adjournment for the summer recess, with as little ceremony as if it had been providing drains for a municipality instead of in-

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roducing Capitulations into Great Britain's judiciale system. Far-reaching Acts, affecting the lives and liberties of the British people, have been rushed through Parliament before now, but they were urgent for the defence of the realm—and they were not the ready-made and unalterable result of previous agreement with another state. It is difficult to see why there had to be such urgency for this measure since in any case it is to be retrospective to December 7, 1941. The impression gained from reading the exchange of Notes between Mr Eden and Mr Winant and the Government's speeches in Parliament is that the British Government has, after long negotiations, deferred to the American Government to some extent against its own inclinations and does not want the matter reopened by protracted discussion in Parliament and the Press. If this is so, it can only be said that such an attitude will do far more to disturb the good relations between the American and British peoples than the operation of the courts themselves, which need do no harm at all.

The New Socialism?

Last week, on pensions, forty-nine Labour MPs voted against the Government and fifty-seven, including eighteen Ministers, for the Government. There has been talk of a revolt or a split in the Labour party. It is true there is dissatisfaction among the rank and file about what they regard as the passive attitude of Labour members of the Government on social questions. But the talk of revolt is premature, to say the least. This is a family squabble. At a meeting on Tuesday, the Parliamentary Labour party approved a motion expressing full confidence in Mr Greenwood's leadership by sixty-six votes to four; and it was accepted that, in future, the leader of the party shall lay down the course of action to be adopted in the Commons. If this had been the rule last week, no Labour M.P. would have voted against the Government. This particular wound has healed very quickly. On the other hand, there is little doubt that the Labour party, as well as the Conservative party, will eventually be split up as a direct consequence of the conditions of wartime coalition. The question is what rallying-points exist outside the caucuses. One self-appointed rallying-point has just been set up. In a new movement, called Common Wealth, Sir Richard Acland's distaste for private property has been linked to the more sophisticated platform of the 1941 Committee. The programme of the new movement, which plainly steals a good deal of the Socialist thunder of the Labour party, will attract a good deal of scattered support. Sir William Beveridge, for instance, speaking to the Engineering Industries Association last week, stated categorically that

private control of the means of production, with the right to employ others at a wage in using those means, cannot be described as an essential liberty of the British people.

In a book just written by Mr Nicholas Davenport called "Vested Interests or Common Pool" (Gollancz, 8s. 6d.), the Common Wealth group will find a ready-made bible; it is property and inheritance, Mr Davenport says, with no little justice perhaps, which are the main causes of inefficiency and inequity.

At present, this movement is the only independent trend in politics with a positive programme. It is also a head without a tail, an élite rather than a movement proper; and it remains doubtful whether Sir Richard Acland, Mr J.B. Priestley, and, say, Sir William Beveridge and Mr Nicholas Davenport, both of whom are still lone wolves and members of no sect, can really win from the party machines the politicians who are looking for a new focus, or from the crowd the many individuals who are looking for a lead. In any case, the problem at the moment is to win the war; and it is difficult to see how, say, the putting of all property on lease with the state as owner would speed the war effort. Nor has it yet been proved that common ownership, in any of the forms favoured by these reformers, would necessarily make this country more enterprising, more prosperous or more decent in normal times. The state must not shrink from national planning, nor, as Sir William Beveridge has said, from the replacement of private enterprise by public enterprise in certain fields. But, in any pattern, private and public enterprise must exist side by side, working, as Sir William Beveridge also said, within limits set by a general design imposed by the state on behalf of the community. By far the most important aims, if democracy is to be rehabilitated, are, first, to secure the maximum output of goods and services; secondly, to guarantee efficiency and adapta-

bility in production and trade; thirdly, to ensure fairness in distribution; and, last but by no manner of means least, to find ways and means of associating the bulk of the people with the processes of democratic life. Common ownership and the like are means not ends; the question is how far they will subserve these aims. The basic problem is to reintegrate society. At present, the people are "We" and their governors and employers, whatever their politics, are "They"; and the rallying point in the new period will be probably found when the technique of democratic association, in industry and government alike, has been re-discovered.

First Principles

The Economist has been accused of crying for the moon. In an article called "Painless Prosperity" last week (on page 131) it was contended that, at bottom, the only way to increase world prosperity, now as in the past, is to increase world output and productivity, to restore long-term international investment for that purpose, and to expand world trade; there are no alternative short cuts. This truism has been taken by some readers to imply an intransigent demand to return, *simon pure*, to free exchanges and free trade, without any reservations—which would indeed be crying for the moon. It is perfectly true that, in the immediate future, all kinds of controls and devices may be needed. This has been so frequently admitted in *The Economist* as scarcely to bear repetition. "Neither in principle nor in practice is any return to the uncontrolled trade of past generations possible." It will be the responsibility of Governments in the future to secure certain minimum standards of living on principles other than those of the free market. The sterling area will be short of dollars; and some form of exchange control will be inevitable. In the transition period after the war, commodity and import controls will be unavoidable to keep reconstruction programmes in line with the relative scarcity of materials, shipping and foreign exchange. Plainly, it would be foolish to burke these facts. Plainly, too, it is all important that these devices should be worked out with the utmost possible co-operation with other countries, especially with the United States. But the crucial point still remains that, as one American writer recently put it,

the freest possible multilateral trade is so obviously in the long-run interest of a nation of 47 millions living in a small area, that this should be clearly formulated as the aim of British commercial policy.

The intention of last week's article was in no way to deny the need for controls and devices. It was rather to make it plain that controls and devices cannot be regarded as *alternatives* to freer trade and restored investment. It is in the interest both of this nation and of the world at large that controls should be regarded at the most as necessary evils. If the pragmatic relief measures which may be unavoidable in the transition after the war are treated as the right methods of long-term policy—if "outright grants" are regarded as a proper alternative to the restoration of investment and "trade equalisation accounts" as an alternative to the freeing of world trade from physical restraints—the consequences will inevitably be "poor, solitary, nasty, brutish and short." The measure of the success of controls and devices will be the extent to which they can be first relaxed and then abandoned in favour of freer trade and fuller investment. At best, they should be regarded as necessary evils—as distasteful means to more savoury ends. At worst—that is, if the overriding need to restore freer conditions and, even in the shortest run, to expand and not to restrict world trade is forgotten—their effect on world economy must be fatally damaging. In the long run, there is no way out of reconsidering, on the one hand, the American tariff and, on the other, the Ottawa agreements, and no other way of bringing national and international economies into balance than by restoring long-term lending and the freest possible flow of goods.

Still Distressed

Work on the United States naval bases in the West Indies is nearing completion. When it stops, the labour problem, already difficult owing to dissatisfaction about wages for this work and about the refusal to allow trade union representation in the original wage negotiations, will

become acute. Little attention was paid in this country to the recent riots in the Bahamas over the wages paid on the American projects; but they were a significant portent of what may happen elsewhere in the West Indies unless rehabilitation is undertaken in time. The trouble is that cessation of work on the naval bases will coincide with a food shortage, a rising cost of living—in Jamaica, it has risen 46 per cent since the outbreak of war, and wages have lagged far behind—and political discontent. It is quite true that steps have already been taken to overcome the food difficulties. Last week in Parliament, Mr Harold Macmillan gave a detailed account of the arrangements that have been made, first, to make the most economical use of shipping by co-ordination between United States, Canadian and West Indian lines and by import organisation, and, secondly, to increase the local production of food. Unfortunately, in the West Indies this has hitherto been hindered by the necessity of producing export crops such as sugar for the United Kingdom and by the shortage of labour owing to its diversion to work on the United States bases. It has now been decided that, if local circumstances demand it, food crops must have precedence over the cultivation of sugar, and the labour shortage will now be at an end. Nevertheless, as was clear from a debate on colonial affairs this week, opinion is not convinced that the questions of resettling the workers from the bases and of food production are being tackled vigorously enough. It appears that 83 schemes have been approved, under the Colonial Development and Welfare Act, in the West Indies, of which 21 are agricultural; but the total sum actually spent under the Act is only about £161,000. It is well known that the shortage of shipping and materials prevents many schemes from being carried out; on the other hand, ships and supplies are not necessary for increasing local food production, and it is believed that housing schemes could be accomplished with local materials. There is a growing suspicion that those responsible for carrying out the Colonial Development and Welfare Act are too much concerned with long-term schemes, which are admittedly most necessary, and have overlooked the immediate relief measures which are wanted here and now.

The Political Aspect

Speaking to the Royal Empire Society last week, Mr Winant said that, in the United States, there is a greater divergence of viewpoint on British colonial policy than on any other subject that divided them.

It has seemed to me for some time that there has been presented to both of us an opportunity to join together in a common effort to develop a policy that would give greater security to the peoples who live in the Atlantic islands off the coasts of the Americas, under one separate jurisdiction, but now in several instances with a degree of joint responsibility because of our Base Lease Agreements, and yet without interference with sovereign rights.

For some months, an Anglo-American Commission has been studying social and economic problems in the Caribbean, but little has been heard about its work or recommendations. In the meantime, a contrast has arisen, in the political sphere, between Puerto Rico, where the people have been promised that at the end of the war, if Congress approves, they will be given the right to choose their own Governor, and the British dependencies where constitutional reform is still hanging fire, although the people themselves are pressing for it. With the example of Puerto Rico before them, their demands will become more clamorous. Together with social and economic discontent, political grievances may lead to a recrudescence of the troubles of 1937-38 unless the Colonial Office proves itself determined to pursue a genuinely progressive and enlightened policy.

Ordnance Factories

The report of the Select Committee on National Expenditure on Royal Ordnance Factories contained very serious criticisms of their organisation and management, both at headquarters and in the factories themselves. Many of the criticisms and recommendations have been made before, and according to the report no effective remedial action has apparently been taken, for instance, in improving the status and salaries of superintendents; standardising costs; unifying methods and standards of inspection; combating absenteeism; introducing more labour managers; reducing hours of work; diluting labour; and upgrading

women. The most serious charge is that, owing to the Ministry of Supply's policy of "flooding" the ROF's with labour, without making corresponding increases in programmes at the same time, there tends to be a redundancy of labour—cases are quoted of two factories, one of which proposes shortly to discharge 6,000 workers, the other 7,000—and about three-quarters of the beds in hostels (built at a cost of £11 millions) are empty. This redundancy is attributed mainly to the division of responsibility at the top, and to the failure to plan with sufficient attention to securing a proper balance." The Committee recommends concentration on the most efficient factories, transferring surplus labour to meet urgent requirements elsewhere, and depriving the Ministry of Supply of its recruiting functions. It advocates the appointment of a single Director-General with four deputies, responsible for engineering, explosive, filling factories and labour respectively, together with the abolition of the regional machinery and the vesting of more direct responsibility in the hands of the superintendents. Surveys of this kind, because they concentrate, rightly, on the shortcomings, hardly give a representative picture. The Minister of Supply replied in the House of Commons on Wednesday to some of the criticisms, though not to the fundamental questions of direction and policy. He denied nearly all the charges of inefficiency—many of which, he said, could not be accepted as statements of fact—and pointed to the achievements of the past twelve months: gun output increased by 4½ times, output per individual filling operative by 40 per cent, and 98 per cent of the target set for filling factories in 1942 was reached in six months. It is important to remember that ROF's are but one piece in the pattern of production, and their organisation should be viewed in relation to that of production as a whole. One is disposed to wonder what an equally detailed examination of a similar number and type of private firms would show. One of the points on which the Select Committee lays stress, is that the status and remuneration of superintendents of ordnance factories should "be commensurate with that which they would receive in industrial establishments of comparable size." Undoubtedly the wide disparity between the remuneration of ROF managers and the managers of private firms is anomalous, and a higher

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standard of managerial efficiency would probably be obtained if the post of superintendent carried with it a higher salary and greater responsibility. The report will naturally strengthen the hand of those who argue that state control and inefficiency are synonymous. But the fault lies not so much in the fact that these factories are state-controlled as in the manner and type of the control and the controllers.

Pacific Offensive?

After their first rapid and unimpeded advance through New Guinea, the Japanese have been held in check and have failed to seize the strategic Kokoda pass. The position at the moment is not very clear, but it is believed that the original landing force has been increased by some reinforcements and supplies, in particular of fighter planes. The chief operations in the South West Pacific zone have been in the air. The Japanese have continued their raids on Port Moresby and on towns on the Australian mainland ranging as far as Port Hedland in Western Australia, but without much result—the distance from their air bases is probably too great to risk any large forces on these expeditions. The Allies have replied by attacking Japanese positions in New Guinea and in the surrounding islands, and are believed to have damaged a cruiser in the Banda Sea. On the whole, the Allies appear to have the initiative in the air; but the presence of Japanese forces within 50 miles of Port Moresby, even though they are on the other side of the Owen Stanley mountains, constitutes a threat to the Allied forces, especially as they seem to have succeeded in consolidating their military position in the north of New Guinea and to be using the tactics of infiltration which were applied so successfully in Malaya. The sooner this “nest” of Japanese troops is cleared, the better. The New Zealand Prime Minister has declared his belief that “a most successful offensive can and will be undertaken,” and the Australian Premier has implied agreement by contrasting the preparedness of his country now with its unpreparedness last February.

A Warning

It is certainly unwise for wartime speakers to promise more than they can perform. But the German public may well be wondering whether the promise of Air Marshal Sir Arthur Harris is not already being put into operation. “We are coming by day and by night, we and the Americans . . . no part of the Reich is safe.” Since Sir Arthur Harris’s broadcast on Tuesday, July 28th, there have been large-scale raids on Hamburg (Tuesday and Thursday), Saarbrücken (Wednesday) and Düsseldorf (Friday), while single bombers have attacked Hanover, Frankfurt and Wilhelmshaven, as well as targets in Holland and along the north-east coast of France. The damage caused in the big raids appears to have been extensive—photographs reveal the destruction of several large engineering, chemical and textile works in Düsseldorf and Saarbrücken—while in Düsseldorf the defences seem to have been taken unawares, many bombs being dropped before the guns came into action. The figure quoted by the Air Marshal of 5 per cent losses in the bombers sent over Germany is a low one and compares favourably with the Nazi losses, estimated at 14 per cent in recent raids over this country. Actually, the Air Marshal’s broadcast has aroused a good deal of criticism—on strategic grounds that it is useless to say that bombers can be sent over in all weathers; on general grounds, that the effect of a “bombastic” threat of terror bombing will be to rally the forces inside Germany round the Government and not to spread disunity; and on political grounds, that an important pronouncement involving policy should have been made by a responsible Cabinet Minister and not by a Service Chief. The Government reply to the criticisms which were raised in the House of Lords on Tuesday was that a speech on bombing came well from the Commander-in-Chief, Bomber Command, and would probably carry more weight among the military-minded Germans than a similar talk from a civilian and that, in any case, the policy was not a new one but had been announced by the Prime Minister himself. The political aspects of the speech are, perhaps, another matter. The Air Marshal told the Germans that Britain did not seek a vindictive peace, but that the one condition of peace was the overthrow of the Hitler regime—not particularly a topic for Service opinion. Provided the bombing policy is implemented—which is the real point—it does not seem to matter so very much who announces it. Tales like this have been told before. Probably

it would have been better if Sir Arthur Harris had been left to give his warning to the Germans without it being publicised to the British people, who are, in any case, much more inclined, experience suggests, to expect the best than the German people are to fear the worst.

The End of Munich

“In order to avoid any possible misunderstanding,” Mr Eden has informed the Czechoslovak Government, on behalf of the British Government, that

At the final settlement of the Czechoslovak frontiers to be reached at the end of the war, they will not be influenced by any changes effected in or since 1938.

The sordid story of the Munich Agreement of four years ago has been formally brought to an end. The reason given is the same as the reason given by Mr Churchill in a broadcast to the Czechoslovak people in September, 1940, and in a communication to Dr. Benes in November of that year, namely, that the Agreement was “deliberately destroyed” by the Germans. This week’s interchange of notes between the Foreign Secretaries of the two countries is simply a re-affirmation of the British Government’s known view that the Munich Agreement is null and void and of its recognition of the fact that the Government of the Czechoslovak Republic occupies the same juridical position as that of the other Allied Governments in Britain. The real ground for the repudiation of the Munich Agreement, of course, is that, whether the Germans had destroyed it or not, it was a wrongful and coercive act on the part of all the Governments concerned. This is left unsaid, presumably on the principle of “no recriminations.” The new guarantee, which leaves the Sudeten problem to be solved by the Czechoslovaks themselves in cooperation with the full comity of free European nations, is not only Czechoslovakia’s rightful due. It is also an answer to German propaganda, which has repeatedly suggested that the Czechs will derive no benefit from an Allied victory; and it is a fresh blow to German hopes of negotiating a peace on the basis of their conquests in Europe.

Demand for Houses

The speech of the Minister of Health to the London Master Builders’ Association last week did not throw much light on the Government’s intentions with regard to housing, although it contained a hint that some housebuilding might be resumed even during the war. The speech was largely concerned with the achievements of the past and the Minister referred to the construction of four million houses during the interwar period, which has given a reserve to meet war requirements. It should be remembered, however, that a large proportion of these houses were built on private initiative and not according to Government plans. For the future, the Minister forecast that the Central Advisory Committee on postwar housing would insist on a far higher standard of housing and on the elimination of jerrybuilding and ribbon development. He hoped that the prewar rate of building would be doubled. There will be much leeway to make up in order to catch up on the present shortage, to restore or replace bombed houses and to meet the demand that will inevitably arise at the end of the war, with the demobilisation of men from the forces and the return of evacuated families and industrial workers. Apart from the completion of some 40,000 houses that were in course of construction when the war broke out and of houses for vital war purposes, normal housebuilding has ceased. The appalling conditions of overcrowding in the Glasgow slums described in the recent Scottish debate—with whole families living in one-roomed houses—might equally be found in districts of Tyneside, Merseyside, Lancashire and London. The recent alarming increases in tuberculosis and cerebro-spinal fever can be mainly attributed to overcrowding. A new war building programme has begun, but if it is at all physically possible there is more than a strong case for the lifting of the ban on essential works of slum clearance and rehousing.

Bread and Potatoes

Last year the potato crop came to an end before the new potatoes were ready for lifting. The gap, caused by a late spring and the absence of the usual supply of

early potatoes from the Channel Islands, involved the Ministry of Food in much criticism, largely unmerited, from the public, who had previously been asked to eat more potatoes, and so save bread and shipping. By husbanding supplies last winter, the Ministry succeeded in keeping a large quantity of old potatoes for sale at the end of the season, and was left with a few days’ supply on hand which the punctual arrival of the new crop, and the eagerness of the public to consume it, made impossible to sell. Now the Ministry is criticised for causing waste—not only the waste of the potatoes which could not find a buyer, but also the waste caused by holding potatoes in clamp till May and June. Waste in clamps is inevitable if the public is to have home-grown potatoes throughout the year; the unsold stocks represent only a small insurance premium against another late season and another gap in supplies. Wheat has to be imported; shipping space is scarcer than ever, and more urgently needed. The more potatoes people eat the less bread they are likely to consume, and the carry-over of a few thousand tons does not, in any way, diminish the need for still more potatoes to be grown and eaten in 1943.

Aid from Aliens

The Allied Powers (War Service) Act is intended to make it impossible for Allied nationals to avoid military service, either in their own or in the British Forces. It has been stated on behalf of the Government that the large proportion of Allied nationals who are technicians and highly skilled workers will not be expected to join the forces, but will be reserved for the kinds of war work for which they are especially fitted. Actually, it is doubtful whether the Government has yet found the right means of making the best use of expert professional and technical workers, of any nationality. The unsatisfactory nature of the present position is most marked perhaps in the case of persons of enemy nationality, who are regarded as friendly. On the one hand, it is stated that, through the International Labour Branch of the Ministry of Labour, the machinery exists for their employment in suitable work, and several Government departments have shown themselves anxious to secure the services of men who are often very highly proficient. On the other hand, all sorts of obstacles may, in fact, be placed in the way of their employment. A recent case may be cited. It is of an architect who until the beginning of this year was doing Government work on hostels. In April he was informed by a Director in the Ministry of Works and Buildings that his specialised knowledge and organising ability would be of great help. In May he was interviewed for an appointment, it being made perfectly plain that this particular department of the Ministry was very anxious to secure his services. Since then he has had something like fifty interviews, written a dozen or more letters, and had innumerable telephone calls to the Ministry of Labour alone without any result at all—until very recently, when it was stated that his Austrian nationality was an obstacle to his appointment. It seems that, whatever rules may have been laid down publicly, it remains the policy of the Establishments Branch of the Treasury—and possibly the policy also of the Home Office—not to employ enemy aliens, whatever their qualifications and trustworthiness; and it seems that the Ministry of Labour and the other Ministries concerned are willing to accept this line. Every care must be taken to prevent persons suspected of enemy connections from being in key positions with access to secrets. It would be vastly unfair to fill the place of British specialists, called up for military service, by alien specialists, unless the qualifications of the latter make the exchange a net advantage to the war effort. But the disturbing thing is the confusion between precept and practice. It is not true that the employment of aliens, Allied or enemy, has been regularised. It remains a matter of chance. The main point is that specialists and experts are left idle and unemployed. All that is needed is some general line of policy which will ensure that every specialist and every expert, of whatever nationality, is used to the maximum in a war which, above all other wars, requires specialised services.

A Hard Case

The strange case of Dr Curtis is an illustration of the odd and evasive way in which questions of nationality and work tend to be handled. Dr Curtis, the son of a British

subject by birth and a German mother, was born in Frankfurt in 1903. In 1914, his father acquired dual citizenship, German and British, and the son did also for a time. In 1933, Dr Curtis lost his job and was expelled from Germany. In England, he was given a British passport and worked as an architect and university lecturer. He became an Associate of the Royal Institute of British Architects, which only admits British citizens to membership. In February, 1940, he was given leave of absence for war work by the University of Liverpool and was employed by Sir Alexander Gibb and Partners, the Ministry of Supply giving him a permit to work under the Official Secrets Act. He was employed on the designing of Royal Ordnance Factories. In February, 1942, he was appointed to do urgent work for the Ministry of Works and Buildings, the basis of his appointment being that he was lent by Sir Alexander Gibb and Partners to the Ministry. He acted as deputy in the Ministry to the official who deals with the allocation of building labour. On June 5th, a letter was sent to Sir Alexander Gibb and Partners to say that, after June 30th, Dr Curtis would not be employed by the Ministry of Works. On June 30th, Dr Curtis duly left without any explanation in writing of his dismissal, and on July 2nd he received his calling-up papers—as a British subject, it should be noted. When the matter was discussed on the adjournment in the House of Commons last Thursday, it was stated that, although Dr Curtis did not satisfy the requirements regarding the nationality of those employed in Government service, it was decided to use him temporarily because the need was urgent and because there was no other suitable candidate; he was never a civil servant, being lent by his civilian firm.

The episode has many remarkable features. It is astonishing that, if there were doubts about Dr Curtis’s nationality—or, as it is now said, that of his father—he was employed for so long with the same access to official secrets as if he were a regular civil servant; and doubly astonishing that, when he was appointed to the Ministry of Works and Buildings, the Ministry did not know that there were any doubts about his nationality—inquiries were only instituted subsequently. In any case, it seems fantastic that there should be these belated doubts, when Dr. Curtis has held a British passport for so long, and has been allowed to join the Home Guard, has been enrolled on the Central Register and has been a jurymen at Liverpool assizes. The net effect is that Dr Curtis has been harshly and unjustly treated. The fact that he was nominally employed by Sir Alexander Gibb and Partners, and not by the Government, is only a stupid and irrelevant side issue. He was told of no bar to his appointment to the Ministry, and no inquiries were ever made about his attitude towards the war. Then, suddenly, he was dismissed. One of the many alternative excuses given on behalf of the Government in the debate was that, by June this year, a suitable British subject had been found to do Dr Curtis’s work. But, incredibly, the crucial question whether Dr Curtis himself is or is not a British subject is still undecided; apparently he is a British subject for purposes of military service, but not in the eyes of the Ministry of Labour or the establishments branch of the Treasury. For a long time he has done important and confidential work for the Government without the slightest suspicion of his capability or integrity. Under this and all the other friendly treatment which Dr Curtis has received since 1934, was an idiotic mistake; or else Dr Curtis has been made the victim of as flagrant a case of muddle and maladroitness as has ever been brought to light.

Shorter Notes

In announcing that in future civilians will not be expected to carry their gas masks everywhere, Mr Morrison has at last agreed to face facts. In spite of repeated appeals, propaganda and mock gas attacks, it is children alone who carry their gas masks regularly, because the education authorities have hitherto compelled it; the Government has now gracefully withdrawn in face of the passive resistance of the adult population, explaining its retreat by the necessity to conserve rubber supplies.

Canada has introduced tea and coffee rationing. The amounts allowed will be 1 oz. of tea or 4 ozs. of coffee a week, but not both.

AMERICAN SURVEY

The People of America

(By a Correspondent)

THE first American census was taken in 1790, eleven years before the first British census, and the population of the United States was then 3,929,214. Each decennial census since has shown a large increase in the numbers of the American people, and the sixteenth census, taken in 1940, showed that the population had risen to 131,669,275. At the end of 150 years, the inhabitants of the United States were nearly 34 times more numerous.

During the seventy years after the first American census, the rate of decennial increase was extraordinarily high, varying from 36.4 per cent in 1800-1810 to 32.7 per cent in 1830-40. In 1850-60 it was 35.6 per cent. In 1860-70, the decade of the Civil War, the rate fell to 22.6 per cent and continued to fall, though with fluctuations, until in 1930-40 it was only 7.2 per cent. It is noteworthy that, though the rate of population increase declined during the eighty years after 1860, the flow of immigration was maintained at a high level until the beginning of the first world war in 1914. In each of the six years 1905-7, 1910, and 1913-14, the number of immigrants exceeded the million mark. The entry of newcomers was checked by the war of 1914-18, and subsequently by the restrictions on immigration imposed in 1921. But the reduction in the number of immigrants contributed only in a very minor degree to the slackening in the rate of population increase that began about eighty years ago. The rate went down, not because fewer foreigners came into the country, but because American families went on becoming smaller.

The birth rate in the United States has been falling almost without interruption for over a hundred years. During the first thirty years of the nineteenth century, the birth rate—that is, the number of births per 1,000 of the total population, men, women and children—was over 50. By the end of the century, it had gone down to about 30, and in 1940 it was 17.9. The death rate also went down, so that, notwithstanding the decline in the birth rate, the population continued to increase, though at a reduced rate, by excess of births over deaths.

But the productivity and potential growth of a population cannot be measured by comparing "crude" birth rates and death rates computed on the total population. A community may have a considerable excess of births over deaths, and yet be on the way to die out. It depends upon the age structure of the population. A community may have a relatively high birth rate, simply because a large proportion of its inhabitants are at ages when they are capable of reproducing the species. And since people at such ages are capable also of putting up a good fight against the agencies making for death, their mortality is relatively low. The United States has a large proportion of persons at reproductive ages. As they grow older and incapable of reproducing their kind, their places will not all be taken by younger people, for the decline in the birth rate has diminished the supply of younger people. Thus as time goes on, persons of reproductive age will form a smaller proportion of the American population, and the persons past reproductive age a larger proportion. With the ageing of the population, the death rate tends to go up, and the birth rate to go down to still lower levels.

There are, of course, methods of measuring population growth that eliminate the fallacies attending the use of crude birth rates and death rates. The United States Census Bureau, reporting on the results of the 1940 census, uses an index that measures the combined effect of natality and mortality and shows whether a given population is on the way to increase, remain stationary, or fall—the net reproduction rate, which shows the numerical relation of female births in two successive generations. More precisely, it states how many daughters will on the average be born to a given number of newly born girls of this

generation during their lifetime, assuming that the present rates of natality and mortality remain unchanged. If the rate is 100 it means that a hundred newly born girls of to-day will, before they die, give birth to 100 daughters, and therefore that the population is on the way to become stationary. The US 1940 census returns show that, during the five years before the census year, the net reproduction rate, which ten years earlier was 111, had fallen to 96. It was, that is, 4 per cent below the rate required to maintain a stationary population, and it showed that the population of the United States is heading for a decline.

The net reproduction rate was far from being uniform all over the country. In the rural areas the rate was well above replacement level. In the urban areas, which contain 56.5 per cent of the total population, the rate was only 74, or as much as 26 per cent below the rate required to maintain a stationary population. Of the 92 American cities that had 100,000 inhabitants or over in 1940, there were 29 in which the population fell during the inter-censal period 1930-1940; and the list of such cities would doubtless have been longer had it not been for the flocking in of large numbers of young people from the country. The census returns show that, in the ten years between 1930 and 1940, there was a net migration of some million and a half young people from farms and villages to the towns. The citizenry of the Union is still being largely recruited from the rural areas—from the rural stock from which Lincoln came. In the period 1930-40 not only did the reproductive index of the rural areas fall from a relatively high to relatively low levels, but in the urban areas the index fell from a low level to a still lower level. Moreover, the lower the level reached in 1930, the steeper was the descent to 1940.

According to one estimate, by Dr. Warren S. Thompson and Dr. P. K. Whelpton, which the United States Census Bureau regard as "the most reasonable in view of the 1940 census data now available," the population will continue to increase, though at a diminishing rate, until 1980, when it will reach 153,022,000, compared with 131,669,275 in the 1940 census. There may be a slight additional increase between 1980 and 1985, after which an absolute decline in numbers may be expected. The estimate makes no allowance for emigration or immigration—or for any major social changes that may affect future population growth. It is an estimate of what may happen if natality and mortality follow the trends indicated by past experience, and so far those trends—which, admittedly may not continue—have been followed with remarkable accuracy. The estimate was made in 1936, and the population as estimated for 1940 was only 0.2 per cent higher than the number given in the census. That in the United States, a young country with enormous material resources, the reproductive index should fall so low that it presages an actual reduction in the American population within the next fifty years is a fact so momentous as to call for the closest attention.

American Notes

The Current of History

The force and the candour of Mr Archibald MacLeish's Rede Lecture at Cambridge last week are proof that the new US Office of War Information, to which he belongs, means to lead as well as to inform public opinion. Mr MacLeish made it plain that he is a whole-hearted supporter of Vice-President Wallace's Century of the Common Man. He had no hesitation in identifying and condemning the new isolationism:

Where the old isolationism opposed the country's determination to face the war, the new isolationism opposes the country's determination to face the peace . . . If they (the isolationists) must have war, they will have a war which will alter nothing and accomplish nothing; a war which shall have neither social effects nor political implications—a purely military exercise . . . The war they are fighting with so much noise and fury . . . is not the people's war to which the United Nations had committed themselves.

No other official speaker has sketched the development of American opinion with more skill or frankness, from the time in 1940 when the nation had "no stomach for the establishment of new worlds," through the days of bewildered but strengthening determination to win a war which had been thrust upon it, but was still the enemy's war, to the present, when it is possible to say that

The American people has recaptured the current of history and they propose to move with it. They are no longer willing merely to fight the Fascists' war. They propose, with the help of their Allies, to fight their own war, a free man's war having a free man's purposes. They are no longer satisfied to fight a war merely to prevent defeat . . . The people know that they did not make this war. They were troubled for a time by the feeling that this war was not theirs—that it was a thing done to them and not by them. They knew always, whether their leaders were willing to say it for them or not, that they had a cause—that they had, indeed, the one cause for which the war could possibly be fought and won. They propose to end it not by defeating the purpose of the enemies of the people only, but by realising a purpose of their own—a clear and forming purpose—a purpose to live with dignity and in freedom, and like men.

In Mr MacLeish, as in the Vice-President and Mr Perkins, in Mr Winant and Mr Welles, men have been found to outline and support a constructive and generous approach to post-war problems. But it is no use pretending that all groups in the United States are solidly behind them. The new Information Office, which has already had a not altogether successful encounter with the Services over the wording of communiques and the release of war news, will have an even stormier passage if it includes in its province the philosophy of the war and the peace—as indeed it should do.

Cargo Planes

Mr Henry Kaiser's proposal to build 5,000 70-ton air transports a year in his shipyards has taken the country by storm. Several Congressional committees and sub-committees have been busy taking evidence from experts, Mr Kaiser among them, on the practicability of the plan; and a Bill has already been introduced into the Senate providing for the creation of a board to provide for the construction of enough air transports to solve the supply problem of the United Nations. Mr. Kaiser has announced that he could go into mass production within ten months, and his reputation for achieving the impossible has gained him support that would not have been granted readily to anyone else. His argument is that a very substantial part of his shipbuilding organisation—that devoted to accounting, purchasing, auditing and supervision—could be turned over to plane production without any difficulty, and that even in the final stages, some of the buildings and tools used for ship construction could be employed on aircraft construction. Mr Samuel H. Arnold, Chief of the Army Air Corps, informed the Military Sub-Committee of the Senate last Wednesday that the Army was already using some of its long-range bombers for the transport of cargo and that, by the end of this year, nearly one-third of the output of multi-engined aircraft—the present proportion was just over one-fifth—would be transport planes. The crux of the problem is the scarcity of materials. Mr Nelson's endorsement of the Kaiser proposal carried the proviso that the provision of engines and components should not interfere with the military aircraft programme. It is difficult to see how this can be avoided; but opinion in Congress appears to be increasingly in favour of expanding the production of air freighters even at the expense of other branches of war production, on the ground that it is useless to produce munitions which cannot be transported in time to the battlefronts where they are needed.

The Small Producer

Mortality among small businesses has been one of the preoccupations of Congress. It is thought that, towards the end of 1942, a substantial number of small plants which are not suitable for conversion to war work will have to close

down, and already the scarcity of materials has made the position of many firms extremely difficult. There is a division of opinion about whether in fact more use cannot be made of many small concerns. The Smaller War Plants Corporation established by Congress last month was designed to facilitate the distribution of war contracts, by taking over contracts from the Army and Navy, breaking them down for distribution, and, if necessary, making loans to finance plant and equipment. The law puts pressure on the Services by providing that, when the War Production Board certifies a small concern or group of firms as competent Government contractors, the procurement officers are to accept such certification as conclusive. The War Production Board itself appears to be pessimistic about the ability of the majority of small firms to go over to war production, and Mr Nelson has emphasised that the controlling factor in distributing contracts must be the capacity of the manufacturer to do the job, rather than the need for relief. Nor will the \$150 millions put at the disposal of the Smaller War Plants Corporation by Congress go very far. A more promising solution which has been put forward by Mr Nelson himself appears to be for the smaller concerns to concentrate upon the production of essential civilian goods, where the specifications are less exacting than those for war goods. Even this is unlikely to provide a complete solution, and the War Production Board has suggested that Congress should appropriate \$200 millions annually to pay the maintenance costs of small firms forced out of business, and to make loans against inventories frozen by the Government.

Shorter Notes

The Maritime Commission has announced that during July, American shipyards set a world record for steel ship construction for the third consecutive month by turning out 71 ships of 790,300 deadweight tons. Production in 1942 so far totals 229 ships of 3,338,515 deadweight tons. To meet President Roosevelt's goal of 8,000,000 tons of shipping in 1942 an average of 932,000 tons must be turned out monthly for the rest of the year.

The latest statement on the rubber situation and its relation to petrol rationing is that of Mr Ickes, the Petroleum Co-ordinator, who declared that nation-wide petrol rationing was no longer needed to bring about larger petrol deliveries to the rationed eastern states, and that a new process for the production of butadiene would make possible an output of 240,000 to 250,000 tons of synthetic rubber annually above the present rubber programme.

Mr Morgenthau, Secretary of the Treasury, has told his press conference that he hopes to avoid any form of compulsory war bond purchases, at least during the current year, and that he would attempt to avoid "induced savings" for as long as possible. This is a retreat from Mr Morgenthau's determined opposition to forced savings and gives weight to reports that plans for a system of compulsion are already well advanced.

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THE WORLD OVERSEAS

Manpower Crisis in Canada

(From Our Ottawa Correspondent)

July 15th

CANADA'S pool of military manpower is, in round figures, 1,200,000 men. That figure was established in the national registration carried out in July, 1940, which disclosed that the total number of Canadian adults under the age of 40 years was 1,694,670. Allowing a proportion of one-third likely to be physically unfit for military service, as experience has shown, the number of Canadian men fit for military service would be 1,129,760. This figure has suddenly taken on fresh importance, since Canada has reached the stage of acute shortage in manpower for military service and for other essential purposes in munitions and food production.

By the end of 1942, or shortly thereafter, the armed services of Canada will have absorbed well over half the absolute supply. The current objectives of the mobilisation of the army, navy and air force will bring the combined total to at least 610,000 by that time. Actually, there will be possibly as many as 100,000 more men in uniform, since the figure of 610,000 men in the armed services is the estimate of men that will be secured by voluntary enlistment. The Canadian draft, which has hitherto raised men only for service within Canadian territory, is being used more extensively than ever before. Draft quotas will call out for service at least 60,000 men in July, August and September, in addition to some 50,000 men already on home defence duty. Many of these men will voluntarily change their status in order to be eligible to serve anywhere, and a proportion of active army, navy and air force requirements can be expected to be drawn from this source, as they have in the past. Moreover, the new draft powers granted to the Government by Parliament permit the despatch of those drafted for home defence outside the country by Order-in-Council, if the necessity arises.

Under these circumstances, it is surprising that serious inroads upon available manpower for essential production have not produced an acute situation before this. But that situation is unmistakable at the present time. It shows itself in growing shortages of workers in heavy industries, such as mining, smelting, lumbering and shipbuilding, where women cannot be employed to any extent successfully. It shows itself in the difficulties that reserve army units, representing Canada's home guard of part-time soldiers, find in obtaining recruits. Obviously, the men who would normally undertake part-time training, with a few weeks in military camps, are fully employed, to the point of overwork in many instances.

From available information, which will not be complete until a manpower registration carried out in April and June, through the new nation-wide employment services of the Unemployment Insurance Commission, has been analysed, the following approximate picture of Canadian employment may be obtained:—

Canadian adults 16 years and over.....	7,882,920
Current objective of armed services.....	610,000
Munitions employment by 1943.....	910,000
Agricultural employment.....	1,350,000
Civilian industries and services.....	2,000,000
Remainder, including housewives, etc.....	2,992,920
Persons 60 years and over.....	1,163,010
Remainder under 60 years.....	1,829,910

These figures are approximate in many instances because up-to-date census material is not available. Chief attention centres upon the military manpower pool, which is now more than 50 per cent earmarked for actual military service. The probable distribution of 500,000 men, under the age of 40 years and still not in uniform, is half in agriculture and half in industrial and professional occupations. Whether agriculture and essential occupations should be stripped further of their best categories of manpower, which obviously include much of the remaining highly-trained

technical and professional skills, is the immediate question for the Government and its selective service officials.

Transfer of Workers

Current requirements for the armed services and war industries have been estimated by Elliott M. Little, national director of selective service, at 250,000 workers by the end of 1942. These workers, Mr Little said, must be taken from their present occupations.

We can plan ahead for the employment of workers who will be released because of new rulings and restrictions by material control agencies. We must also consider the necessity of closing down some industries altogether. Much of the increase in our industrial employment must consist of women.

He added that a more vigorous policy against absenteeism and for more efficient production must be put into effect.

The latest figures show that unemployment in Canada has practically disappeared. A registration of unemployed men carried out in June disclosed 80,000 persons in this category between the ages of 16 and 69 years. Not more than 60,000 of these are regarded as even partially employable; few of them are capable of working in the high-speed production of war plants.

Against this background, policies for the transportation of workers, housing and closer administrative control of the national labour supply have become necessary in Canada. Outlining these features of the problem, Mr Little recently reported on developments of what he called "an integrated national plan for the most effective use of our manpower."

Eire's Central Bank Bill

[FROM OUR DUBLIN CORRESPONDENT]

July 24th

THE Central Bank Bill has emerged from the Dail after several weeks of debate. The Senate has decided to postpone consideration of the Bill until the end of September. After it has been debated in the Senate, it will have to go back to the Dail for the consideration of the Senate's amendments. It is unlikely, therefore, that the Bill will become law for several months. In the course of the debate in the Dail, the Bill was criticised both by the official Opposition and by the Labour Party. Almost every objection that could be raised to the Government's proposals was raised in some part of the House. The Government was criticised for keeping the Irish currency linked with sterling; for not providing a variable instead of a fixed parity; for abolishing the Consolidated Bank Notes which at present form the only fiduciary issue in Eire; for not exercising a much greater degree of control over the commercial banks; and for failing to nationalise the distribution of credit. The Government stood up manfully to all these diverse criticisms. Mr de Valera and the Minister for Finance nailed their colours to the Banking Commission, on whose report the Bill was drafted. To have adopted any other course would have amounted to a vote of lack of confidence in the Commission which the Government had itself appointed. The findings of a majority of sixteen members out of a total of twenty-one could not be lightly rejected.

Important Amendments

The Government brought in three amendments of substance when the Bill reached its report stage. The first amendment refers to the type of security which the Central Bank has power to rediscount and hold. In the first place,

the type of bill which the Central Bank is entitled to rediscount has been slightly widened, and the currency of eligible commercial bills has been extended. In the second place, the provision that Government securities bought by the Central Bank must be not less than one year old must be removed. The Banking Commission strongly disapproved of direct lending by the Central Bank to the Government, and recommended that, with the object of preventing such borrowing, the Bank should not be authorised to purchase any Government securities less than two years old. The original text of the Central Bank Bill provided that securities should be one year old before being bought by the Bank. This provision has now been dropped. The amended powers are to purchase any securities of any public authority in the state which are authorised by law for the investment of trust funds, have been offered for public subscription or tender and are officially quoted on the Dublin Stock Exchange and on the Cork Stock Exchange. The present rule of the Dublin Stock Exchange is understood to be that a quotation will be given to any security if two-thirds of the issue have been taken up by the public. If this condition remains, it will be possible for the Central Bank to subscribe directly to one-third of Government issues in future. This is in direct contravention of the recommendations of the Banking Commission.

The second amendment introduced by the Government gives to the Central Bank the power to compel commercial banks to transact the whole or any part of their clearings through the Central Bank or an agent appointed by the Bank. Particular provision is made for the clearing of cheques, bills and notes payable outside the State, that is, in practice, sterling payments collected by the Irish banks for their customers. The banks object to these new powers on the ground that, if they are exercised, they will increase the cost of clearings. The present clearing system of the Irish banks is a highly complicated machinery evolved as a result of a century's experience. Many cheques are cleared locally, others in provincial centres and others in Dublin, whereas the sterling payments are cleared through the Clearing House in London. The whole machinery is calculated to produce the maximum expedition at the lowest cost. If the banks were compelled to clear through the Central Bank, a totally new machinery would have to be evolved necessitating considerable delay and duplication of accounting. The provision in regard to the sterling clearings does not appear to serve any useful object. So long as the right of convertibility between the Irish and British currencies is retained, any Irish balances which the banks acquire as the result of depositing sterling holdings in the Central Bank could be immediately reconverted into sterling, if the banks so desired. These new powers are, however, permissive, and the Government gave an assurance in the Dail that there is no intention that they should be put into immediate operation.

A Dangerous Possibility

The third amendment of substance is in regard to the assets held in the Legal Tender Note Fund. Under the original Currency Act of 1927, the only assets permitted to be held in the Legal Tender Note Fund were gold, sterling and British Government securities maturing within twelve months. An amending Act of 1930 widened the category of funds that might be held. The limitation of twelve months' maturity on British Government securities was abolished, and provision was made for the inclusion of other types of assets in certain contingencies. It was provided that other types of security could be admitted to the Legal Tender Note Fund on the unanimous vote of the Currency Commission approved of by the Minister for Finance and by the Dail and Senate. It is now proposed that the vote of the Board of the Central Bank need not be unanimous for this purpose, but that a majority vote will suffice. In view of the fact that the Central Bank Board will contain, in addition to the Governor, five members nominated by the Minister for Finance, against three representatives of the banks, this amendment clearly contains dangerous possibilities. The Banking Commission emphatically recommended the retention of 100 per cent sterling cover for the Legal Tender Note issue. The present amendment would enable that recommendation to be completely negated. However, there still remains the safeguard of the approval of the Dail and Senate before any change can be effected.

This is the condition of the Bill on its arrival in the Senate. The postponement of its consideration in that House for two months suggests that it will receive a considerable volume of new criticism when it comes to be debated. The Senate is in many ways better qualified than

the Dail to discuss such a Bill. An active part in the debate may be expected to be taken by the Governor of the Bank of Ireland, the two professors of economics and the other University representatives. In view of the criticism which the Bill has received in the country, it is quite possible that the Government may introduce further amendments before its final passage into law.

Price Difficulties in the Balkans

[BY A CORRESPONDENT]

July 20th

A NEW series of trade negotiations has recently been concluded by German representatives in the three "allied" capitals, Budapest, Bucharest and Sofia. The communiqués issued referred vaguely to a further intensification of the reciprocal exchanges of goods, but German press comment suggests that in reality Germany pressed for the deficiencies in grain deliveries to be made up by livestock, vegetables and other produce; in return, she promised to speed up deliveries of agricultural machinery. Both communiqués and comment must be read against the background of the disastrous harvest prospects throughout South-East Europe and German delays in delivering machinery.

Of more interest, however, are two other points raised in the course of the discussions, as they bring to light some of the difficulties under which the current exchange of goods is labouring. The Germans brought up a question which has been disturbing them for some time, that of the stabilisation of export prices, and also of internal prices. In all three countries, controls and regulations have failed to stem the steady rise in prices. Between September, 1939, and the end of last year, the index of wholesale prices in Roumania had risen by 190 per cent, in Bulgaria by 50 per cent, and in Hungary by 45 per cent. Although the rise has since then slowed down so far as is reflected in official prices, these have become fictitious even for many articles of prime necessity, which change hands in some

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form or other, at greatly increased black market prices.

This situation cannot fail to impair Germany's position as a buyer. The fact that she has to pay higher prices in terms of Reichsmarks should not cause undue worry—although the Germans profess to press for price stabilisation on that account—for they can always recoup themselves by adjusting their own export prices. Indeed, it is known that German exporters, who now hold a quasi-monopoly position in the Balkans for whatever they are able to sell, have already substantially increased their selling prices, and it is perhaps significant that the rise in industrial goods has throughout been more marked than in agricultural prices.

A far weightier cause for German displeasure is that the government grain collecting centres, outbid by the black market, do not receive produce deliveries in anything like adequate quantities, and are, therefore, unable to fulfil the quota deliveries to Germany, even though the home rations for food have been reduced much below the German level. A new series of ration cuts has just been announced in the three satellite countries, and may have something to do with the German visits.

Wage Demands

The price chaos has also another, and in the long run not less important, implication. In spite of all the rises in prices, producers are clamouring for still further increases on the grounds that present prices are unremunerative. Wages, on the other hand, lag far behind prices, and this deepening clash of interests between agricultural producers and wage-earners not only slackens production efforts on both sides, but spreads social unrest.

Whether in answer to German representations about high prices and low deliveries or not, it appears that anxiety was expressed in the course of the negotiations, at least in Bulgaria and Roumania, about Germany's growing clearing indebtedness. This has been considerably increased—detailed figures are kept secret—by an item which lies entirely outside the control of the two small partners, namely, German official remittances to the German armies stationed in the two countries. In its effects at least, creating additional purchasing power and forcing an increase in the note circulation, it is tantamount to the occupation costs charged to countries like Belgium or occupied France.

The German reaction to these complaints was disarming in its frankness. The German representative explained in Sofia, in a press statement, that the accumulating clearing balances of Germany's allies must be looked upon as their contributions to the war effort—"iron savings," as he called them. He added that their ultimate liquidation after the war was not likely to cause difficulties, although Germany would extend preferential treatment to those who were now showing a spirit of understanding by increasing their food deliveries. To be on the safe side, Dr Clodius, who conducted the negotiations in Bucharest, actually laid down in the new agreement that no delivery should be withheld on the ground that the clearing account is "momentarily unfavourable to one of the clearing partners."

Metal Production in Australia

[BY A CORRESPONDENT]

July 23rd

CABLED reports from Canberra this week confirm that the arrangements for the transfer of workers from the gold mines to the base metal mines in New South Wales and Queensland have just been completed and that similar arrangements are about to be concluded for Tasmania.

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These schemes are an extension of the arrangements for Victoria and Western Australia, which have been in force for some weeks and have already resulted in the release of several thousands of skilled miners for essential war work. With the new arrangements in Australia's leading base metal mining States, the way has been cleared for the production drive in the Commonwealth, which was announced by the Federal Government immediately after the Allied withdrawal from Malaya and the Dutch East Indies. This drive plays an important part in Australia's munitions production, and its results are likely to determine the expansion of Australia's new munitions industries.

For nearly a century, Australia has been one of the foremost non-ferrous metal producers of the world, but since the end of the last war production has been chiefly confined to lead and zinc. The Broken Hill deposit in New South Wales and the Mount Isa mine in North Queensland produce over 250,000 metric tons of lead and over 210,000 metric tons of zinc per annum. In lead, the Commonwealth is easily the largest producing area after the United States, while in zinc it vies with Greater Germany for second place after the United States. Apart from 25,000 tons of lead and 30,000 tons of zinc absorbed at home (including shipments to other parts of Oceania), the whole of Australia's production used to be shipped abroad before the war. To-day, Australia is using much larger quantities of lead and zinc for war purposes, but, even now, something like three-quarters of Australia's production remains free for export to Great Britain and the United States.

More Copper and Tin

It is not surprising, therefore, that the new production drive aims not so much at further increases in lead and zinc supplies, but at an immediate expansion of the output of copper and tin. Australia's copper and tin industries have passed through difficult times since the last war, and since 1921 their output, in spite of a recovery in the three years preceding this war, has never exceeded 20,000 tons of copper and 3,700 tons of tin, although in 1913 the Commonwealth produced 47,200 tons and 8,000 tons respectively.

The poor figures in recent years are not due to an exhaustion of ore reserves, although in the course of the past century most of the easily accessible and the richest copper and tin ore has been mined. There are, however, fairly extensive low-grade deposits of copper and tin in New South Wales, Tasmania, and Queensland, and, to a lesser extent, also in South and Western Australia. Elsewhere, these deposits would probably have been fully developed, but in Australia the shortage of miners and the relatively high wages for mining labour—factors which are mainly due to the strict Australian immigration laws and the exclusion of cheap native labour from most mining operations—have rendered this development unremunerative in normal times, especially as, in spite of its small production, the Commonwealth has been more than self-sufficient in copper and tin in the last fifteen years.

The establishment of a major munitions industry in Australia has naturally increased the Commonwealth's requirements. Moreover, the consumption of Great Britain and the United States has reached such proportions that any additional ton of copper and tin that can be made available is important. The minimum goal must, therefore, be the supply of sufficient quantities of copper and tin to meet Australia's own increased requirements, but there are good prospects that beyond this the Commonwealth will be able to spare at least small quantities for the United Nations' pool.

Shortage of Labour

Since Australia has sufficient smelting and refining capacity to treat roughly twice the amount of domestic ore mined recently, current difficulties are confined to the mines themselves. Here the Government has a twofold task: first, to secure the necessary supply of skilled workers, and, secondly, to make the increased production sufficiently remunerative to assure a maximum effort. The labour problems have been tackled by the transfer arrangements already mentioned, while the question of profitability has been solved by certain concessions regarding the taxation of non-ferrous metal mining companies for the duration of the war and the revision of Australian copper and tin prices. The tin price has been raised by £A51 to £A371 per ton from the end of April, 1942, and the copper price by £A18 10s. to £A105 per ton from the middle of last May. A sum of £A10 a ton of tin sold and £A5 a ton of copper is being transferred to a pool from which the development of new production, in particular of high cost mines, is to be subsidised.

Change Over in Egypt

[FROM OUR ALEXANDRIA CORRESPONDENT]

June 25th

THE advent of a 100 per cent Wafdist Cabinet under Nahas Pasha last February constituted much more than a change of the party in office, for it brought to an end the special régime which had been in force since the beginning of 1938. A new Chamber of Deputies came into being with the usual overwhelming Wafdist majority that follows free elections; nominations of Senators made during the 1938-42 period were cancelled, and others nominated in their stead; an Audit Department was created. Anglo-Egyptian feeling is now better than at any time since the start of the war—indeed, since the signing of the Treaty in 1936.

During the first weeks of Wafdist administration, an attempt was made to reverse the previous policy of growing restrictions. That policy had not been pursued with enough foresight or energy, and had but very partially achieved its ends, arousing much dissatisfaction. The requisitioning of wheat and maize was stopped, and their price increased by 50 per cent in order to induce hoarders to part with the remainder of the crop; the price of bread was reduced by 10 per cent, and the resulting loss borne by the State; substantial quantities of cereals were borrowed from the British military authorities in order to weather the difficult period up to the wheat harvest in May. An appeal was also issued to employers to adopt a minimum daily wage of P.T.5 (1s. 0½d.) for land and town workers.

By the end of April, however, it became necessary to revert once again to the policy of progressive restrictions, and, at present, State control is more stringent, and extends to a wider field than when the Hussein Sirry Cabinet resigned. About two-thirds of the new wheat crop has been requisitioned, while transactions in the remaining one-third are strictly regulated. The entire production of sugar has been requisitioned and will be rationed. Petroleum rations have been reduced by one-quarter. The rationing of some other articles is also contemplated. The price of bread has been increased to its previous level, but will still leave the State with a deficit of £E4,400,000 for the 1942-43 season. As for imports, the short-lived quota system has been superseded by a much more stringent system of licences that reduces the inflow of goods to a much smaller figure in order to save shipping space. The recent meeting of the Middle East Supply Council pointed out the necessity of making Egypt, and the adjoining countries, as self-sufficient as possible.

Meanwhile, the cost of living index has pursued its sharp upward course: April, 1940, 137; April, 1941, 164; February, 1942, 206; March, 1942, 212; April, 1942, 216. Trade and industry are more prosperous than ever, but the conditions of the salaried and wage-earning classes have deteriorated, as lack of organisation, together with the pressure of population, has prevented them from obtaining any substantial or widespread rise in incomes.

Restrictions in foreign trade have increased the already very great volume of idle funds, resulting from war profits and British military expenditure in the country, and part of these funds has been invested in securities. During the six months that elapsed between the entry into the war of the Soviet Union and the United States, the Stock Exchange experienced one of its most vigorous and sustained booms, and further big gains were recorded more recently:

	Mid-June, 1941	Late December, 1941	Early June, 1942
Unified Debt	£E. 7,530*	£E. 8,390	£E. 9,540
National Bank	2,400*	3,250	3,416
Credit Foncier	1,930*	2,824	2,850
Salt & Soda	225	408	458
Filature Nationale	810	1,480	1,590
Delta Light Railways	112	280	351
Egyptian Hotels	141	341	429
Behera	1,080	2,040	2,750
Heliopolis	1,002	1,540	1,700

* Nominal, frozen at minimum official price.

On the morrow of the fall of Tobruk, State Funds were not allowed to be quoted officially lower than 2 per cent, and other securities lower than 4 per cent, of the previous close, and buyers were not lacking at these levels for several lines.

In the course of the past winter, to finance its purchase of 50 per cent of the cotton crop, the Government issued a £E10,000,000 loan, at par, bearing 4½ per cent interest,

and redeemable within five years. It was fully subscribed, and has been quoted above par from the start. For the same purpose, £E500,000 of three months Treasury Bills have been issued by public tender every fortnight since the beginning of the year. In almost all cases, tenders were about three times the amount offered, and the average annual interest of the Bills allotted, which was 1.84 per cent at the first tender, gradually declined to 0.81 per cent at the latest (June 13th).

The Budget for 1942-43 will reach £E53,000,000, and it shows no deficit. It is thought that supply problems may make large unexpected demands on the Treasury, but receipts for the first nine months of 1941-42 exceed expenditure by £E8,507,382, and this large surplus may eventually provide the extra margin.

Shorter Notices

"The Bankers' Almanac and Year Book, 1941-42." Thomas Skinner and Co. (Publishers), Ltd. 2,130 pages. £3 net.

It has naturally not been possible for the compilers of this valuable publication to bring many of its figures for foreign banks up to date, and some of the balance-sheets consequently only refer to 1938 or 1939. But in its information on British banking, and as a general reference book on monetary matters, it is as complete and useful as ever.

Correction

In the review of "Democratic Advance" by Edward Mousley, on page 145 of *The Economist* last week, the quotation "the only alternative to war is the rule of systematised power, enforced where necessary by power," should obviously have read "the only alternative to war is the rule of systematised order, enforced where necessary by power."

Books Received

British Rule in Eastern Asia. By L. A. Mills. (London) H. Milford. 581 pages. 25s. net.

The Cripps Mission. By R. Coupland. (Oxford) The University Press. 64 pages. 1s. net.

The Soviet Caucasus. By D. Tutaeff. (London) Harrap. 208 pages. 8s. 6d. net.

Economics for the General Reader. By H. Clay. (London) Macmillan. 488 pages. 6s. net.

Britain and Ireland. By N. Mansergh. (London) Longmans, Green. 96 pages. 6d. net.

Education for All. The Report of the Liberal Education Advisory Committee. (London) Liberal Publication Department. 16 pages. 3d. net.

Education for Democracy. By M. Cole. (London) Allen and Unwin. 70 pages. 2s. net.

An Essay on Marxian Economics. By Joan Robinson. (London) Macmillan. 122 pages. 7s. 6d. net.

Sweden Speaks. Edited by G. Witting and E. M. Nielsen. (London) Allen and Unwin. 212 pages. 8s. 6d. net.

Credit Problems in a War Economy. By R. A. Foulke. (New York) Dun and Bradstreet. 71 pages. No price stated.

Victory or Vested Interests? By G. D. H. Cole and others. (London) Routledge. 97 pages. 5s. net.

Problems of Modern Government. Edited by R. McG. Dawson. (London) H. Milford. 124 pages. 9s. net.

Phoenix. By H. G. Wells. (London) Secker and Warburg. 192 pages. 8s. net.

The Spoil of Europe. By T. Reveille. (London) Allen and Unwin. 344 pages. 10s. 6d. net.

Foreign Capital in South-East Asia. By H. G. Callis. (New York) Institute of Pacific Relations. 120 pages. \$1.25, typescript.

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German Europe

War Damage

THE new programme of industrial concentration and the greater damage caused by the latest British bombing attacks have forced the German Government to supplement piecemeal its compensation and war damage policy. The complex war damage law, the administration of which is centralised in the *Reichskriegsschaedenamt*, distinguishes between "primary" or direct war damage to property and persons and "secondary" or indirect damage caused by the concentration of industries, the conscription of owners of businesses, loss of income in retail trade and so on. The assumption, formally, is that the state is responsible for compensating all losses, and there is, thus, no state or private system of insurance against war damage in Germany.

During the first year of the war, "primary" war damage was extremely small in Germany, and attention was chiefly focussed on "secondary" damage, that is on compensation for temporary loss of income and on the maintenance of closed-down factories. In practice, the maintenance of closed-down factories was made the responsibility of industry and trade themselves, and a system of "co-operative aid" for maintaining buildings and machinery was introduced. The necessary funds were accumulated by a levy on the model of the earlier export levy, and the administration and distribution of the funds was left to the self-governing federations. The system came into force on May 16, 1940, and the levy had accumulated at the end of June this year to Rm 72 millions, out of which some Rm 37.1 millions has been paid for the care and maintenance of factories and machinery—Rm 16.5 millions during the first six months of 1942, which is an index of the intensified policy of industrial concentration.

In retail trade and among independent artisans, the main difficulty has been to meet the rent of shops. In retail trade shopkeepers were paid 80 per cent of the rent if their turnover has been reduced by rationing. A great number of the shops run by independent artisans were simply closed by the conscription of the owner. Only "healthy" businesses are maintained, and a considerable number of small shops must have been closed down without any special assistance apart from the allowances for dependants. On the other hand, a guarantee has been given that small businesses which have been closed down can be reopened after the war.

In the case of compensation for "primary" war damage caused by bombing or other enemy action, there are three main classes of damage—personal injury, damage to property, and contingent loss such as the loss of interest income from capital investments. Personal injury, that is the death or disablement of the income-earning member of a family, is compensated according to the same regulations that are in force for the dependants of killed soldiers. The loss of income caused by the destruction of a factory or of business premises is almost fully compensated for a time, though there is no clear indication of how long these payments will continue. In theory, household goods and personal chattels are also fully covered according to a complicated system of assessment; but cash payments seem to be very small and compensation in kind must be accepted. In practice, there is hardly any information about the compensation paid for loss of household goods. The majority of bombed-out people are usually accommodated in emergency centres established by the local authorities. Families that have been evacuated are paid a regular evacuation allowance; but the payments seem to vary considerably from district to district.

In the case of damage to buildings and other real property, only minor damage can be repaired at once. After application has been made to the mayor of the town, a committee is responsible for assessing the damage. Whether or not any immediate compensation is paid is decided "according to the public interest" and to the possibility of repair or rebuilding. If the committee decides against immediate compensation, nothing is done, but assessment is made. If "the public interest" demands immediate repairs or rebuilding, the owner must accept material and labour supplied by firms working for the state. An important provision is that compensation for damaged or destroyed buildings and machinery is assessed according to the present value and not the original value. In urgent cases,

advance payments may be made to a general limit amounting to Rm 1,000. The little that is known about the actual operation of the compensation regulations suggests that only the most urgent cases are dealt with currently, and that the final settlement of much the greater number of cases of war damage is being left until after the war.

House Property.—The policy of cheap money and the impossibility of making normal repairs have led to abnormal financial liquidity among owners of house property. The total income from rents is at present estimated at Rm 8,500 millions. Before the war, normal repairs meant an annual expenditure amounting to roughly Rm 800 millions. Repairs have been reduced to one-third or even one-fourth of the figures for pre-war years. Owners of house property have had almost no losses; state compensation for loss of rents and the growing shortage of flats may have actually increased the income from rents. Owners of house property are more or less war profiteers; and the current movement into *Sachwerte* (real values) has singled out house property as the most attractive investment.

At present, the press is discussing schemes for making house property, which yields roughly one per cent above the interest from state loans, less attractive for investors. A general reduction in rents amounting to 10 per cent is suggested. The main preoccupation, however, is how to induce owners of house property to build up reserves for repairs after the war. Compulsory accumulation of reserves has been suggested, but it is difficult to lay down general regulations. House property is split up among millions of owners. Probably a scheme similar to the "iron savings" schemes in operation for industrialists and companies will be introduced. Owners of house property would then be able to pay their surplus funds into the Treasury, where they would be blocked until after the war. By this method, some Rm 500 millions would be put at the disposal of the State.

Machine Building.—The commissar for the machine building industry has prohibited the construction of all machinery which is not directly necessary for war production; the long list includes, for example, textile, building, printing and laundry machinery. Before these new regulations were issued, the construction of machinery was controlled by the departments allocating raw materials. Control now begins at the moment when an order is made. Special committees will decide whether the order can be executed. The controlling bodies are the industrial committees organised by the Minister for Armaments and Munitions, Dr Speer. The standardisation of machinery is being very much extended, and regulations forbid the former elaborate finish of machine tools and machinery.

Maximum Wages.—The trustees of labour have been empowered for some time to decree maximum wages. The Labour Court recently decided that a "trustee" may lay down that maximum wages shall come into force retrospectively. In other words, workers who have been paid increased wages for some time will lose the legal right to claim payments if the "trustee" fixes maximum wages retrospectively below the rate paid by the employer. This new pressure on wages is explained by the necessity of maintaining stable prices.

French Workers.—The French Ministry for Production is organising the dispatch of whole groups of workers to Germany. Managers, engineers, foremen and workers of one and the same factory may be transferred as a group to German factories. This, the German press declares, will enable the French workers to use their accustomed methods of production. The owners and employees of small businesses, which have been closed down in great numbers recently, may form new groups out of several businesses and transfer in a body for work in Germany.

European Price-Stop.—Dr Fischboeck, Germany's price commissar, recently spoke at the Hague on the problem of a European price-stop. The common aim of all European countries, he said, should be a price-stop in foreign trade between them; this aim could not, however, be reached if each country allowed changes in internal prices.

THE BUSINESS WORLD

Life Assurance

SO far life assurance has carried the strain of war well. There have been periods of anxiety—notably in the summer of 1940, when security prices fell heavily and depreciation became a serious problem, especially for those offices which had been least conservative in their investment policy; and in the winter of 1940-41, when heavy air raids caused considerable mortality among the civilian population as well as extensive damage to property in which the offices are interested, either as owners or mortgagees. But the value of assets in terms of sterling have, on the whole, been well maintained, and mortality experience has remained within expectation, despite the incidence of war deaths. Expenses have remained stationary, or fallen, except for the industrial offices.

The most disturbing feature has been the continuous downward trend in the net rate of interest earned on the offices' funds. But, even here, the average rate in most cases has not yet fallen to the point where the offices are faced with actual losses. In this, as in other factors which govern the results of life offices, the effect of the war has been rather to diminish profits than create losses. Because of the widespread transaction of life assurance on mutual or with-profit principles, the reduction in profits has been shared by the offices with their participating policyholders, and the security of basic contracts has not been impaired. Public confidence is clearly visible in the substantial volume of new business which continues to be transacted.

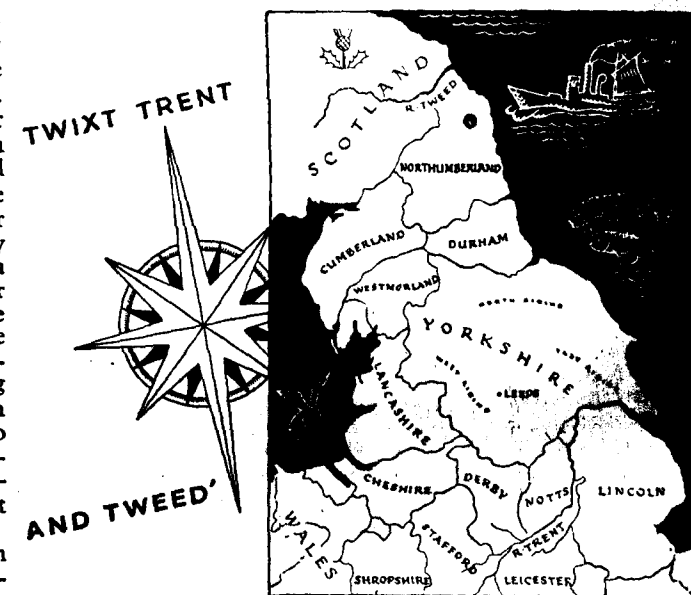
The indications for the future are necessarily obscure, but certain broad trends may be distinguished. In the case of assets, there are two processes at work. First, as the war goes on, steadily increasing proportions of investment portfolios are being placed in Government securities, thereby giving them a higher "gilt-edged" quality. Secondly, holdings of overseas securities are being requisitioned for war needs, thus causing the international character of the offices' investment transactions to tend to disappear. Actually, these two processes both work towards a safer investment policy. Insofar as certain offices have formed an investment policy which was unduly speculative, the need now, which they cannot escape, to take more and more gilt-edged securities is a gain. In the case of the other offices, however, it must perhaps be assumed that they knew their business, and that a mixed portfolio yielded a net advantage; the substitution in their portfolios of larger and larger proportions of Government stock will give the advantage of a more stable running yield, but only at the cost of a reduction in its amount, and of increased uncertainty about current depreciation after the war. So long as the rate of interest is kept down, the present position will persist, except insofar as the offices are permitted to readjust their holdings. If it rises, only a very rapid rearrangement of portfolios will prevent considerable depreciation, and it is doubtful whether such a rearrangement would be possible on any substantial scale.

The course of mortality is difficult to assess. Deaths from normal causes seem, if anything, to have been fewer in wartime than in peacetime, and deaths directly due to the war have been light by comparison with the last war—with the result that most of the offices have been able to point to an experience below that envisaged by the ordinary tables of mortality on which premiums have been based. But the most serious war casualties may be yet to come—and, even in the case of civilian mortality, it is perhaps as well to bear in mind that the influenza epidemic at the end of the 1914-18 conflict caused more deaths than occurred on the battlefield. Much greater attention is now being given to public health than during the last war. But the possibility that at some stage of the war, or in the immediate post-war period, the present margin between mortality experience and expectation will disappear and an actual loss develop cannot be ruled out.

Expenses are not likely to prove a serious aggravating factor. The reason for the generally lower expense ratios of the ordinary offices is to be found in the smaller volume

of new business transacted, with consequent reductions in the heavy initial commissions on first-year premiums. It is improbable that new business will revert to pre-war levels before the conclusion of hostilities, if only for the reason that the offices are deprived of the services of their sales staffs. These observations do not apply to the industrial offices which have been able to maintain their new business at high levels, partly because of relative prosperity among the classes for which they cater, and partly because the outdoor staffs called for service have largely been replaced. Such replacement was inevitable in view of the vast amount of door-to-door collection work which still has to be undertaken, if only for the sake of maintaining in force the pre-war contracts; and the remuneration of the new employees, mostly women, superimposed on the allowances which the offices are making to the staff in the Forces, has brought an increase in expense ratios which will no doubt continue for the duration of the war. Among factors affecting ordinary and industrial offices alike, which have tended to raise expense burdens, have been the cost of air raid precautions and of war damage contributions.

Finally, there is the question of interest earnings. This factor transcends in importance all the others. The longer the war lasts, the worse the position is likely to become; as the ratio of Government securities to total investments increases, so the average rate of interest earned in the offices' funds diminishes. The average net rate has already fallen in some cases to a point below the rate assumed in the past in calculating premiums, and is approaching the



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rate used for periodical valuations; quite a number of offices, in fact, have deemed it prudent to lower the valuation interest rate, or otherwise make provision for loss under this head. One institution—the *United Kingdom Provident*—has gone so far as to reduce its valuation rate to $2\frac{1}{4}$ per cent, that is to say, below the rate of $2\frac{1}{2}$ per cent traditionally regarded as the hall-mark of the conservative life office. At the end of the war there may be a return to investments yielding a higher return. But this will be slow in making its effect felt, and the time lag, which is helping the offices now, will work against them then. Moreover, no immediate benefit will accrue from lower income tax because the standard rate will need to fall below 7s. 6d.—the rate at which the offices are at present assessed—before any relief is secured. All in all, the outlook for interest earnings is not too favourable.

To summarise, it is possible to envisage, first, reasonable stability of security prices so long as the war lasts, and afterwards some depreciation, which will depend on the extent to which the capital market is opened, and against which the large holdings of Government securities should prove a

useful buttress. Secondly, there is the likelihood of some mortality loss either during the war or immediately after. Finally, there is the virtual certainty of losses on interest earnings which will increase with the duration of the war, and only slowly be remedied afterwards. These considerations point to diminished profits on pre-war policies, and losses for some time to come on any new business transacted at current premiums. Yet many offices are pursuing as active a new business policy as a depleted staff permits, by offering special Savings Bonds policies, and accepting civilian war risks without extra charge. In the post-war period, there should be an abundance of new business for all to share, for the population as a whole is still greatly under-insured. Lower interest rates may tend to discourage the purchase of life policies for investment purposes, but this will not necessarily be detrimental if it focuses attention on their original and primary function—provision for dependents. And an extension of “planning” in industry, bringing with it greater stability of employment and an increased sense of responsibility by employer to employee, might lead to a substantial increase in group life assurance.

American Accounts

COMMENT on the articles which appeared in *The Economist* on April 11th and 25th, on the subject of company accounts, has more than once suggested that American practice might be looked to as a guide. No one can study the reports of the comparatively few large American corporations which are commonly available in this country without being impressed by the wealth of detail they contain. Although the actual information given may vary considerably from one to another, the least informative appears to be well ahead of all but the best in this country. It might, therefore, be thought that one had only to adapt American methods to secure a similar result here. Unfortunately, the matter is less simple than that. While the practice of many United States corporations shows that they consider publication of their results, in detail, as good, rather than bad, for their business, this is not general; and the background of American legislation, in fact, offers no very helpful suggestion as to how the British shareholder may obtain the information he requires.

There is nothing in the United States that corresponds at all closely to the Companies Act. Limited liability is obtained by incorporation, and this is achieved by Charter (Articles of Association), usually given by the state in which the new body is to be resident, although National and Federal charters are also granted. In no state is any statutory duty laid upon the officers of a corporation to publish accounts to shareholders. There are arrangements for at least one annual meeting, at which the president gives a general report on operations, and the treasurer may deal with the financial and accounting side of the enterprise. In New York State, holders of 3 per cent of the capital may call for the accounts, which have then to be presented. There exists a common law right to inspect the books of the corporation. Obviously, the ordinary investor cannot undertake this, while the right to such detailed information could probably be used by competitors to damage the business. In consequence, this right has been hedged round with restrictions by local statutes. For the most part, what the shareholder receives, he receives not of legal right, but by force of custom—backed, no doubt, by the fact that the court could usually grant the right of full inspection in a flagrant case.

It is impossible, without a wide experience of American conditions, to say how far this state of affairs is considered satisfactory; and it must be remembered that the machinery for the provision of equity capital is different in the USA from the British arrangements. The position seems to be that a corporation, which is for any reason much in the public eye, will publish excellent accounts, while others may not. The tradition of publishing really informative accounts to shareholders antedates the agitation which led to the creation of the Securities and Exchange Commission; and that agitation was concerned with the sale of and trading in securities, rather than with any question of giving accounts to proprietors.

In this country, it has been the practice to rely upon the law and public opinion to secure reliable administration.

On the North American continent, there has for long been a faith in the efficacy of official inspection of accounts: witness the Chartered Banks in Canada and the Federal Reserve system in the USA; and the control of railroads by the Inter-State Commerce Commission and of common carriers by similar bodies in both countries. Something similar was attempted in Britain by the Railway and Canal Commission, but that was effective neither in control of operation nor in keeping up to date statutory requirements as to published accounts.

Against the American background, it is not unnatural that the SEC should have produced the Acts of 1933 and 1934. The joint effect of these is that a corporation, with any security quoted on a national stock exchange, must furnish to the SEC, and to the exchanges giving the quotation, accounts providing a specified minimum of information, which must be kept up to date so long as dealings continue. It is obviously impossible to treat the requirements in detail—the forms which the large American corporations send to their subsidiaries to be completed for the annual accounts may run into a hundred pages. Some general idea of the requirements may, however, be given. They include balance-sheets, profit and loss accounts and a number of schedules for every parent company, and for each of its subsidiaries or group of subsidiaries which is of sufficient consequence to merit inclusion. These may be given separately, or in consolidated form, but the material must be provided. The information must normally be filed within 120 days of the end of the registrant's—that is, the parent's—financial year; but the date of accounts for any subsidiary in a consolidated statement may differ from that of the parent by as much as 93 days, provided that the date, and any change in it, and the reason for the difference are clearly stated. This, although superior to British practice, is a source of weakness. In addition, an acceptable certificate as to the adequacy of the accounts, and the soundness of the accounting practice, must be given by an independent auditor. It is also necessary to show the names of subsidiaries and sub-subsidiaries, the extent of the shareholding in each, and where control is not by voting rights, to explain how it is exercised.

The main headings of the balance-sheet are similar to those aimed at in this country by the improvements in the Companies Act of 1929, but sub-division within each main rubric is required. Cash must be split into three sections, according to the notice to be given to withdraw it. Trade debtors may be given *en bloc*, but the reserve must be separately stated, and non-trade debtors must be split into their main categories. Stock-in-trade must be classified under raw materials, work in progress, finished goods and supplies. There are elaborate provisions about securities, and, in so far as these are marketable, their nominal, balance-sheet and market value must all be given. The provisions for the classification of current liabilities are fully as satisfactory as those for assets, every main group of creditors, for example, wages, taxes, interest, being stated separately. To complete the picture, fixed assets must be

classified, and additions at cost, retirements or sales and other changes shown for each class. In passing, it may be noted that the schedules provide for similar detailed evidence with regard to all reserves.

The wealth of material required in balance-sheets is almost equalled by that demanded in the profit and loss account. This includes a trading account, showing gross sales, less discounts, returns and allowances. From this is deducted the cost of the goods, and a statement is given to show how this is obtained. Then follow operating revenues and expenses, selling and administrative expenses, provisions for doubtful debts and any other special item of substantial importance. Finally, as a note to the account, there must be stated the amount charged against costs, and to any other account, in respect of maintenance, depreciation, taxes, management and service contract fees, and rents and royalties.

In this wealth of material, there is enough to satisfy the most exacting, whether he be student, stockholder or statistician. As already indicated, the SEC requirements scarcely exceed what was voluntarily given before that date by some corporations. But, unfortunately, the Acts of 1933 and 1934 do nothing directly to improve the stockholder's position. The requirements are to be compared with the unknown demands by the new issues sub-committee of the Stock Exchange in London, when considering applications for permission to deal, rather than with those of the Companies Act. Whether the SEC requirements are the more exacting cannot be said. They have, however, two advantages, namely that there is an obligation upon all companies to present what are in effect *standardised* accounts, and that the obligation is a continuing one. This has meant a gradual improvement in the method of compiling accounts and in the value of the certificate submitted by the auditors—a matter which is in need of attention in this country as a means of increasing efficiency, quite apart from the question of giving information to the shareholder or the public. The SEC has thus prepared the ground for the publication of accurate and detailed figures. Although there is evidence of material improvement in the method of presenting figures to industrial managements, and some elucidation of the principles underlying their preparation, it is still the fact that in this country much improvement could still be effected.

The principal lesson to be learned from the position in America seems to be that many directors there are much

less timid about disclosing facts than their opposite numbers in this country. They provide all that has been asked for by the most exacting critics of existing practice here, starting with a statement of turnover, and showing the main outlines of the build-up of balance sheet and profit and loss account. Further they give, in many cases, very full quarterly accounts and progress reports. Whatever the reason for the difference of practice, the result is clearly not harmful to the companies giving it, while it is beneficial to all those interested. It is difficult to see why the accounts of Vickers should not be as informative—at least in time of peace—as those of US Steel. In point of fact, they are incomparably less so. If, however, it is to be desired that British directors should follow the practice of those in America with regard to disclosure, it is very doubtful whether British shareholders would have much to say in favour of placing in the hands of the stock exchanges a regular flow of information, which was withheld from them, the actual proprietors of the business. That it is accepted in the USA would seem to arise from the traditional reliance on inspection by authority—in this case the SEC, assisted by the quoting stock exchange.

Here, it would seem to be desirable to travel further, and more rapidly, along the line which has been taken by each amendment of the Companies Act, that is to say towards increased publicity, in the full sense of that term. The revision must, however, on this occasion, be much more radical than any yet attempted. It should begin by putting all accounting, for public companies at least, on a uniform basis, with proper allowance for differences between individual enterprises, and with some latitude for legitimate differences of opinion between individual accountants. It should then insist upon publication, in an agreed summary form, of such information as is necessary—an outline of most of the points was given in *The Economist* of April 25th. Finally, the auditor should be required to vouch for both the adequacy of the system of accounting adopted and the accuracy of the figures published, and for any comments on them. At present, he is too often only concerned to see that there is no contravention of the law, such as would render his clients liable to prosecution. This would, in practice mean a fundamental adjustment of the relations between the various branches of the accounting profession; but, as was indicated in an earlier article, a change of outlook is essential. Such an adjustment is, perhaps, the best way of securing this new outlook.

Finance and Banking

Heavy Note Withdrawals

Conditions in the money market have been rather less comfortable this week than is usual in the early days of the month. The credit position has in fact been subjected to a double strain in the shape of further heavy withdrawals of notes for holiday spending and a substantial immobilisation of funds on public deposits. The jump of £9,168,000 in the note circulation to the new record level of £833,316,000 is only slightly larger than in the corresponding week last year; but it completes a continuous expansion of over £40 millions in the past seven weeks, compared with less than £30 millions in the same period of 1941. It may be noted that to the Christmas peak a year ago a further £85 millions of notes were withdrawn, whereas the reserve, replenished only a week ago by an increase of £50 millions in the fiduciary issue, now stands at £48.2 millions. As a result of the note withdrawals, the credit base as a whole has been reduced by some £4 millions, notwithstanding an addition of over £5 millions to the Banking Department's holding of securities. Over £14 millions of credit having been absorbed into public deposits, bankers' balances have fallen by £18.7 millions to £118.1 millions. This movement is somewhat unexpected in view of the sharp decline in savings and the very moderate TDR issue of £15 millions, but may be an aftermath of the previous week's rush of National War Bond subscriptions.

Iranian Exchange Improvement

The fundamental change in the Iranian exchange position over the past year is discussed by Sir Henry McMahon in his statement to shareholders of the Imperial Bank of Iran. This year, the bank's figures have been converted into sterling on the basis of 140-142 rials to the £, whereas a year ago the rate employed was 68.80 rials. At first sight, this suggests a sharp depreciation of the Persian currency, but the reverse is, in fact, the case. The official rate of 68.80 in 1941 was almost wholly ineffective, while importers into Iran were in practice paying about 174 rials to the pound, and for many purposes sterling was wholly unobtainable. Owing to the increased importance of the Persian Gulf route as a channel of supply and communi-



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cation between Russia and India, the demand for Iranian currency has greatly increased, and this has permitted both a return to greater exchange freedom and an improvement in the effective rates for the currency. This was reflected in an adjustment of the artificial official rate to 140 buyers and 142 sellers, the rates in force when the Imperial Bank's accounts were closed on March 20, and it has since been possible to lower these rates to 128 buyers and 130 sellers. The effect of the exchange adjustment would, of course, be to reduce almost by half the sterling equivalent of the bank's figures. The actual expansion shown by the balance-sheet is therefore the more impressive, and is a further indication of increased activity in Iran. Deposits have more than doubled, with a rise of over £5,000,000 to £9,508,000, while acceptances have increased from £629,000 to £2,490,000.

Spain Suspends "Free Pesetas"

Spain's decision to suppress the so-called "free rates" for a number of currencies (sterling, US dollars, French and Swiss francs, escudos and Argentine pesos) may also be interpreted as a reflection of that country's improved exchange position. In order to attract foreign exchange, especially in the form of remittances home from Spanish nationals abroad, remittances for purposes falling outside the various clearing agreements were permitted to be sold at more advantageous rates ruling in the free market, instead of the rates applicable to merchandise trade. With the general curtailment of imports into Spain as into other neutral countries, Spanish exchange balances are no doubt increasing, and it is not surprising that this concession has been withdrawn. The effect will be that British nationals in Spain, for example, will henceforth have to convert their sterling at 40.50, instead of 46.55, and nationals of the other countries concerned will experience a similar reduction in the peseta proceeds of their remittances. The Controller of the Anglo-Spanish Clearing Office has announced the payment of a second instalment of arrears. This amounts to 10 per cent, except for small debts not exceeding £30 at the time of the first instalment of 50 per cent, the balance of which will be paid in one instalment.

East Asiatic Monetary System

Japan's plans regarding the monetary system in the East Asiatic area of "co-prosperity" are at last beginning to become evident. Until recently, complete chaos reigned in this respect in newly-conquered countries. The notes of the original issuing authorities remained in circulation but at the same time "military yen" notes were also issued, and there was much talk about the establishment of new banks of issue under the control of the Bank of Japan. Now it is evident that the original banks of issue will continue to operate. Their reserves will consist of yen, just as those of the central banks of German-occupied countries consist of Reichsmarks. Each central bank will have a clearing account with the Bank of Japan, through which transactions between various parts of the "co-prosperity sphere" will be financed. In other words, just as Berlin aims at becoming the centre of the European unilateral clearing, so it is Tokyo's ambition to become the centre of an East Asiatic multilateral clearing. In practice, the working of both Berlin and Tokyo as clearing centres will be handicapped by the fact that the conquerors have debit balances in relation to the conquered peoples.

There are, however, several noteworthy differences between the German and Japanese systems. For one thing, while the "occupation marks" are purely temporary, the "military yen" are to remain in circulation for a long time. Another difference is in the degree of the devaluation of the currencies of the conquered peoples. In this respect, Japan is even more self-seeking than Germany, in that she is seeking to obtain an even higher degree of overvaluation of the yen, in order to secure favourable terms of trade. Indeed, the Japanese press now frankly states that the period of cheap Japanese exports is coming to an end, at any rate as far as the area of "co-prosperity" is concerned. Japanese exporters will henceforth charge more remunerative prices; and if, as a result of the overvaluation of the yen, these prices become prohibitive for the conquered peoples, it simply means that Japan's trade with them will become more one-sided than during the last few months. There is no point in exporting too much to the conquered countries, since Japan can buy from them without having to sell to them.

Workmen's Compensation Expenses

It is announced that the allowance for expenses and profit in the rates charged by the tariff offices for workmen's compensation insurance is to be reduced to 30 per cent of premiums. The original agreement between the Accident Offices' Association, representing the tariff companies, and the Home Office on this subject dates back to 1923, when the ratio of losses to expenses and profit was fixed at 60:40, with provision for rebates to employers on the basis of any margin between the actual and agreed loss ratios. In 1927 the proportion was amended to 62:37, and in 1940 there was a further change to 65:35. At that time rates were increased by 10 per cent to cover the cost of the additional benefits provided by the Workmen's Compensation (Supplementary Allowances) Act, and it was felt that expenses would not rise proportionately with the increase in premiums. This 10 per cent increase has, incidentally, been discontinued with effect from March 1st of this year. The present further cut in the expenses and profit allowance, which applies retrospectively to the year 1941, will no doubt be appreciated by employers. From the point of view of the offices, there may be wartime factors justifying the change; the increase in industrial activity has brought a high volume of premiums; and the process of concentration has eliminated a great many of the small businesses whose insurances form a large proportion of the portfolios of the tariff companies, so that costs are likely to have fallen. But it seems unlikely that workmen's compensation can remain a profitable field for tariff companies if they continue in their accounts to charge it with a full share of the branch and head office expenses which are common to it and numerous other classes of risk. The whole arrangement providing for the limitation of the expense ratio, is, in any case, a negative and a bad one, since it fails to encourage the offices in collective measures to reduce industrial accidents—any outlay in this direction will bring no reward but, on the contrary, if successful in its object will eventually reduce premiums and the amounts retained for expenses and profit correspondingly.

Investment

Equities Maintain the Lead

It would perhaps be unfair to say that July has been a month of disappointments in the field, but it has, at least, shown that Germany is still immensely strong: strong enough to make the neutralisation of Russia a distinct possibility. The one bull point is that Rommel has been halted, but that is only to be regarded as a brief respite, unless he can be thrown back. Possibly the mere fact that the enemy has been kept west of Alexandria is a factor in the strength of markets, but the circumstance that the net demand has been for equities, and that these have continued to rise ahead of both the Funds and other fixed interest securities, suggests strongly that factors other than the immediate course of the war, or even the duration of the conflict, are at work. The accompanying

FIXED INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935=100)

Financial News indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares

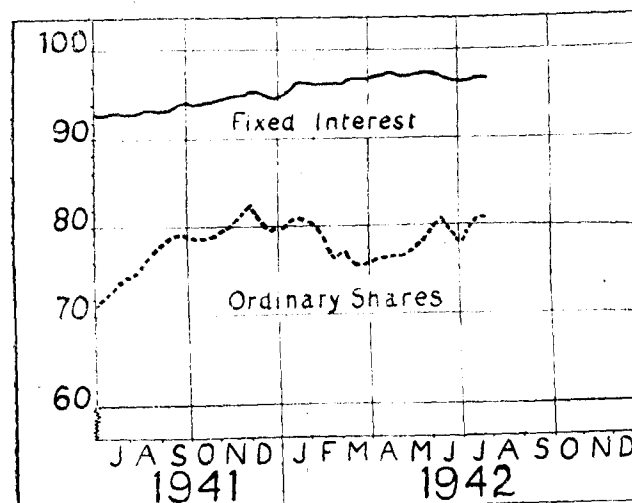


chart of the indices of fixed interest stocks and industrial ordinaries, compiled by *The Financial News*, shows an almost continuous rise in the latter, accompanied by fluctuations in the former which do little more than achieve a tentative upward trend. Industrials appear to have established the position, reached for a short time in January, and just touched early in June. The rise in equities is the resultant of very conflicting movements, including some important falls. *The Actuaries' Investment Index* shows, however, that out of fifteen classes of industrials, twelve have risen on the month while one, shipping, is unchanged. The general impression of the shipping market would certainly be that prices were higher. The two falls are in electrical manufacturing and distribution. Outside industry, bank and insurance shares have been risen, while investment trusts are a trifle down.

Short Term Influences

The detailed figures of *The Actuaries' Index* go some way to dispose of the theory that the rise in equities is due, in any considerable measure, to expectations of an early end to the war. The heaviest rises are in home railway stocks, in brewery shares and in building material concerns. The first are admittedly the reverse of post-war recovery stocks, the last must reap some benefit from the modified building boom which the Government has promised; while the second are doing extremely well while bombing neither destroys their property nor restricts their sales. Coal and cotton were also favoured last month, although it is very far from clear what will happen to the former under the new plans, while the latter must continue to suffer severely from shortage of raw material. Turning to fixed interest sections, the index shows virtually no change on the month in any of the major items, although there are very modest rises in the price indices for most classes of preference shares. The fall in yield is, however, only from 4.55 to 4.54 per cent, which is 2s. per cent above

the end-May figure. Meanwhile, the total price figure for 159 industrial equities is the highest since pre-war days. The yield is still higher than in any of the three months, November, 1941, to January, 1942, both inclusive, but with those exceptions it is a low record in recent history. Despite the fact that the improvement is largely due to the excep-

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices				Average Yields		
	July 29, 1941	Jan. 27, 1942	June 30, 1942	July 28, 1942	July 29, 1941	June 30, 1942	July 28, 1942
2 Consols (1).....	145.1	147.8	146.6	146.9	3.07	3.04	3.04
Home Corps. (4).....	137.0	140.9	141.5	141.6	3.40	3.29	3.30
Total Dibs. (43).....	111.9	115.4	117.4	117.6	4.25	4.04	4.04
Total Prefere. (101)...	95.2	102.0	103.8	104.2	4.80	4.55	4.54
Investment Trusts (9) ..	33.4	37.6	36.4	36.3	7.00	6.26	6.33
Building Mats. (6).....	68.7	70.4	70.4	75.5	4.19	4.14	3.92
Coal (8).....	77.4	82.6	73.6	77.3	7.22	6.91	6.80
Cotton (5).....	23.0	33.2	29.5	32.5	3.31	4.41	4.09
Oil (4).....	47.8	56.2	45.9	48.0	4.07	5.37	5.22
Total Productive (90)...	57.8	63.3	62.0	63.8	5.63	5.29	5.23
Home Rails (4).....	35.3	47.8	45.4	48.9	8.45	7.64	7.49
Total Distributive (29)...	42.1	50.7	48.9	50.6	5.61	4.77	4.67
Breweries (20).....	94.9	116.2	115.5	119.9	6.06	5.08	4.97
Total Misc. (40).....	61.3	71.0	68.7	70.4	5.63	4.96	4.87
Industrials—							
All Classes (159)....	54.9	62.0	60.4	62.1	5.63	5.11	5.04

tional rises of the month, the general strength of equities remains impressive. It is to be noted that, according to this index, the rise in iron and steel shares is also well above average, 2.3 points to 55.4 against 1.7 to 62.1. The rises are all in the staple industries, but they are split between those which work predominantly for the home market and those which rely in large measure on export. They appear to be based almost entirely on short term considerations.

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Palestine Conversion Alternative

Holders of the 5 per cent Palestine loan, who have just been offered the choice of repayment on November 1st, or of conversion into a 3 per cent stock running to 1962-67, may now be able to avail themselves of an alternative which appears, at first sight, at least, more attractive. The old Palestine stock, being now a definite maturity, is suitable for the money houses, who have bid it up to a point at which it can be sold for 102. The seller can put the two points premium, less selling expenses, in his pocket, and apply for the new 3 per cent Savings bonds, 1960-70, now on tap. On these, he will obtain almost 2s. 6d. per cent net at the end of this month, and 15s. net every six months thereafter. If he converts, he obtains, it is true, 25s. on November 1st, but has to wait until May for his next instalment, which is equally 15s. net from then on. The exchange seems advantageous, despite the fact that the Savings bonds have a maximum life three years greater than that of the new Palestine stock. Against this, they will probably enjoy in the long run a freer market. The price offered by the money houses is so high that it seems to call for a word of caution. It seems certain that they will have to accept conversion, and not be allowed to demand cash. A long-dated stock is not attractive to them to hold, so, presumably, they expect to be able to dispose of the Palestine stock at a small premium, against which Savings bonds cannot rise above par until the tap is turned off.

Partington Steel Option

Holders of the second and third preference capital in the Partington Steel and Iron Company, now in liquidation, will be pleased to learn that an ideal arrangement has been reached, in so far as the distribution of the Lancashire Steel second preference shares are concerned. It may be recalled that, in the liquidation, these were to be distributed in specie. It has now been arranged that holders of either class may receive Lancashire Steel shares equivalent to seven-tenths of their present holdings and the remainder in cash. It is, however, open to any holder to apply for these proportions to be varied to suit his convenience. In consequence, he is able to have all cash or all specie or any variant, subject to the supply of Lancashire Steel second preference shares being sufficient to meet all demands, and to the avoidance of fractions of ten shares. Should all of their security not be absorbed by this means, the remainder will be offered in cash at par to those holders of either class of Partington preference capital who have elected to accept more than their due proportion of the payment in kind and not in cash. The framing of the proposal suggests that no difficulty is anticipated in disposing of the shares. These carry 5½ per cent non-cumulative dividend, and rank after £1,400,000 5 per cent cumulative first preference capital. The dividends on the two classes has been covered some five times by the net earnings of recent years. Dividends have been paid on nearly £3,500,000 of ordinary for seven years, during which period earnings on that class of capital have averaged some 10 per cent. The first preference stand at some 22s., so that there is a very fair chance that the second will be worth at least their par value, under conditions of active employment for the steel industry. The price of both might well be higher, but for the fact that both are redeemable at par at any time on three months' notice.

Company Notes

Richard Thomas Earnings

When dealing with the increased dividends recommended by Richard Thomas in *The Economist* of July 25th, the view was expressed that the gross profits would probably have fallen on the year. This is proved by the full accounts to be the case for the group, which shows a decline of over 11 per cent, and, although the figures of the parent company are up on the year, it is the group figures which matter. Virtually all the more important costs, including taxation, are, however, lower on the year, while the special writing down of assets takes only £100,000 against £363,677, and War Damage contribution £95,000 compared with £217,000. There is, in consequence, a marked improvement in earnings for ordinary capital, and a larger addition to carry forward, despite the increased distribution. Particulars are set out in some detail for the last three years in the following table:—

	Years to last Saturday in March		
	1940	1941	1942
<i>Consolidated Figures</i>			
Trading profits	3,171,296	4,000,172	3,542,159
Depreciation (a)	829,591	830,383	836,531
Taxation	1,159,704	1,671,036	1,425,000
Interest, etc.	552,565	562,233	519,552
Fees, staff funds, etc.	40,439	52,482	58,541
Outside shareholders	22,326	22,210	22,113
Surplus	566,871	861,809	680,422
Special charges	(b)177,500	(d)590,677	(c)195,000
Preference dividend	Nil	101,411	156,017
Ordinary shares:			
<i>Earnings</i>	Nil	169,721	329,105
Paid	Nil	Nil	121,875
<i>Earnings %</i>	Nil	6.9	13.5
Paid %	Nil	Nil	5
To reserves	352,634	100,000	100,000
Carry forward	(c)454,759	524,480	632,010
(a) Including amounts written off. (b) Commutation of amounts due under agreements and compensation. (c) Including £41,118 special credit. (d) War Damage contribution, £217,000; written off stocks, March 29, 1941, £363,677; agreements and compensation, £10,000. (e) £100,000 writing down Redbourn coke ovens; £95,000 War Damage.			

The report includes no statement as to the year's results, but the consolidated balance-sheet is not uninformative. After providing depreciation and writing down of £836,531, fixed assets of the group at £15,376,000 odd are reduced by only £823,510, but the suspense account in connection with outlays at Redbourn, amounting to £1,106,035, has been written off out of reserve, which is reduced to £286,478 after the year's allocation. Meanwhile, liquid assets are up by £466,049, against a fall in current liabilities of £218,993, in addition to which some £440,000 of debentures have been redeemed. There is, thus, a very marked improvement in the cash position, there being now net liquid assets of over £5,000,000. The fall in creditors is paralleled by a larger drop in debtors; stocks are up by £534,424, to £4,910,000 odd, while cash is materially increased, and £500,000 of Tax Reserve Certificates have been substituted for £345,000 of War Bonds. The figures suggest some falling off in output, coupled with a sharper decline in demand, a state of affairs which must continue until supplies are more readily available. The market gave the report a good reception; the prices of the preference and ordinary now stand at 29s. and 6s. 9d., giving yields of £6 17s. 6d. and £4 18s. 9d. per cent, respectively.

Conssett Iron Setback

Total profits of Conssett Iron for the year to March 31, 1942, are some £60,000 higher at £690,375. In the latest accounts, provision for taxation is shown inclusive of tax on dividends which are themselves shown net. Adjusting the earlier figures the rise in disclosed tax provision is from £225,000 to £255,000. The decline in equity earnings from a rate of 10.6 to 5.9 per cent must be attributed to the necessity of paying £111,150 against nil for war damage. Depreciation absorbs £125,000 as in the previous year. Consequently, the ordinary dividend, maintained at 7½ per cent, is underearned. Nothing is written off investments, against £30,000 in the previous year, and the carry forward is reduced from £214,448 to £192,713. The Chairman, Mr. Clive Cookson, provides no clue to the cause of the setback, but there is little doubt that Conssett Iron has suffered from the general narrowing of profit margins responsible for a widespread reduction of surplus earnings among heavy industrial companies. There has been considerable capital expenditure during the year, amounting to £501,187 against £85,343. The whole of this addition has already been written off, partly by transferring £444,364 from reserve for improvement of plant—leaving the total of this fund at £355,636—and partly by means of depreciation provided from current profits. Among liquid assets, there is a rise in stocks from £1,365,124 to £1,418,107 and a reduction in investments from £122,777 to £27,924. Debtors are virtually stable, but there is an increase in creditors, including taxation, of some £500,000 to £1,728,981. The directors have redeemed £175,113 against £144,411 of 4 per cent debentures and a further £31,976 was repaid since the close of the financial year. Share premium account has been eliminated by the transfer of £278,849 to reserve fund, bringing the total of this account to £900,000, and of £93,994 to write down holdings in subsidiary companies to £339,906. It remains doubtful whether the ordinary dividend can be maintained in the current year. The 6s. 8d. ordinary stock, at 7s., yields £7 8s. 1d. per cent.

Two Brewery Results

The latest accounts of *Barclay Perkins* and *Threlfalls* Brewery are a good omen for the forthcoming brewery season. Profits, both gross and net, for each company are above those of the previous year, while gross receipts of *Barclay Perkins*, in the year to March 31st last, have attained a new record for the past decade. Despite the transfer of £60,000 against nil to deferred repairs, there is a jump in equity earnings from £88,138 to £121,309, representing 8.5 against 6.4 per cent, so that the 1½ per cent increase in the ordinary payment to 5 per cent is amply covered. The *Threlfalls* ordinary dividend is maintained at 18 per cent, covered by a rate of 18.6 against 18.3 per cent. Both companies have realised a small increase in the carry forward, but in the case of *Threlfalls* there is no transfer to reserve against £30,000 in each year for *Barclay Perkins*. On the other hand, *Threlfalls* in each of the last two years has transferred £40,000 from profits for war damage, while *Barclay Perkins* has drawn an amount of £69,000 over the past two years from contingencies reserve for this purpose.

Years ending Mar. 31 for Barclay Perkins and June 30 for Threlfalls Brewery	BARCLAY PERKINS		THRELFALLS BREWERY	
	1941	1942	1941	1942
Profits*	406,309	586,580	435,111	438,868
Depreciation†	60,343	127,547	44,735	46,091
Taxation	67,500	147,500	—	4,434
Fees	4,138	4,138	5,677	8,509
Funds and compensation	1,706	2,337	7,655	61,337
Deb. and loan interest	108,884	108,149	61,246	26,518
Preference service	75,600	75,600	40,000	40,000
War damage	—	—	—	—
Ordinary stock:—				
<i>Earnings</i>	88,138	121,309	249,280	251,978
Paid	62,590	89,415	247,500	247,500
<i>Earnings %</i>	6.4	8.5	18.3	18.6
Paid %	31	5	18	18
Reserves	30,000	30,000	—	—
Carry forward	102,466	104,360	313,782	318,261

* After tax for Threlfalls Brewery.

† Including £60,000 special depreciation for Barclay Perkins in 1942 and £10,000 for Threlfalls in 1941 and 1942.

Last year's improvement is most probably to be attributed to the reduction in bombing and the consequent ability to maintain retail sales. The heavy London interest of *Barclay Perkins* presumably accounts for the fall in 1940-41. The chairman, Lieut.-Colonel Robert Wyvill Barclay, indicates that the decision to control the price of malting barley, which soared to abnormal heights last year, may affect the supply from subsequent harvests. Clearly, the future of supplies is the most important factor determining the ability to maintain current rates of profit. For the present, balance sheets show an increase in stocks from £355,325 to £387,935 for *Barclay Perkins* and from £249,804 to £308,457 for *Threlfalls*. In both cases, surplus liquid assets have risen from £588,750 to £653,865 and, slightly, from £151,538 to £193,204, respectively. Yields are sound, amounting to £5 2s. 11d. per cent at the current price of 70s. ex dividend for *Threlfalls* and to £4 10s. 11d. per cent at 22s. ex dividend for *Barclay Perkins*.

Profits from Milling

While the public and the shareholders of Ranks and Spillers continue to wait for any information as to results since the inception of control, the directors of McDougalls, and of the trust which controls it, continue to publish accounts. It is true that the figures of the operating company

are subject to adjustment, but it will be surprising if the tentative figures give a really misleading picture. It is a pity that the figures are after depreciation, EPT or NDC and contingencies. Even so, they show a slight rise for the year to March 31st last, which is increased by a cut in the income-tax provision from £39,206 to £30,870. In consequence, the usual dividends are maintained with a larger addition to carry forward than usual, after resuming allocations to reserve with the transfer of a modest £10,000. The trust, whose shares are publicly held, pays the usual 10 per cent dividend on the ordinary with a slightly less exiguous margin, the cover being almost 10.3 per cent. The balance sheet of the operating company shows a more marked expansion than ever in creditors, which are almost doubled on the year at £367,188, against £60,000 odd in 1939. The year's increase in stock-in-trade exceeds 40 per cent, and that in debtors is even more marked, but the largest rise is almost £100,000 in gilt-edged, in addition to which cash to the extent of £100,000 has been placed in tax reserve certificates. A statement accompanying the accounts of the trust company explains that, once again, all records have been broken. With regard to the effects of the recently concluded agreement, it is stated that the cushioning effects of EPT are likely to ensure that the net figures of the companies will be little affected. This is likely to prove the case in the future also, provided that the further agreement, to run from September next, and still to be concluded, is not markedly less favourable.

Tootal Broadhurst Lee

Profits of Tootal Broadhurst Lee, after all charges except income tax and interest, rose from £221,184 to £274,363 in the year to June 30th last. The profits are in each case after providing, *inter alia*, £40,000 for staff bonus. Despite an increase in the transfer to tax reserve from £150,000 to £191,000, equity earnings are up from £59,786 to £72,241. After allowing for the fact that the employees are entitled to a bonus, equal to twice the rate paid on the ordinary shares, between 7½ and 15 per cent, the percentage earned on that class of capital appears to have risen on the year from some 13 per cent to approximately 13.8 per cent, while the actual payment is unchanged at 12½ per cent. There is as before, no transfer to reserve, and the whole of the surplus goes to raise the carry forward from £104,056 to £120,933. The vice-chairman, Mr. J. E. P. Stevens, sounds a warning note when he points out that sales in the first six months of the period under review were stimulated by the increase in demand for branded goods, following the announcement of clothes rationing. In the last six months, however, the necessity of producing only utility goods for the home market has not only disorganised the company's system of output, but has also minimised the value of its goodwill. Consequently, it is possible that, in the current year, sales and profits may be lower. The balance sheet shows a substantial increase in cash from £598,287 to £702,993 and in trade investments from £291,250 to £536,300, financed by a fall in debtors, and a rise in creditors of some £200,000 to £1,252,506. Stocks are some £120,000 higher at £1,425,719, while sundry loans are reduced from £68,838 to £71,424. Whatever difficulties Tootal Broadhurst Lee is destined to encounter during the remainder of the war, it will not be forgotten that it has quite exceptionally rosy recovery prospects. The £1 ordinary shares, at 50s., yield £5 2s. 6d. per cent.

Industry and Trade

Control of Motor Fuels

The abolition of the basic petrol ration for private cars at the end of June inevitably led to an increase in the demand for substitute fuels by those who could not pass the new needs test for petrol, and who were unwilling to give up private motoring. The Ministry of War Transport has rightly decided to block this avenue of escape. It is essential to conserve the scarce supply of alternative fuels for essential purposes. Rubber is now in too seriously short supply to be used by private motorists. In view of the forthcoming abolition of private car manufacture, and the curtailment of the production of lorries, the existing stock of vehicles is too precious to be frittered away. Quite apart from the question of fuel, the use of vehicles for any but the most essential purposes can no longer be justified.

Control of substitute fuels is to be exercised by two Orders under the Defence Regulations. The first, which will come into force on September 1st, will prohibit the running of vehicles on fuels other than motor spirit or diesel oil, except under licence. Licences will be obtainable from the regional transport commissioners of the Ministry of War Transport, but they will only be issued if applicants can pass the needs test applied to users of petrol and diesel oil, and if the fuel demanded is, in fact, available. The second Order, which is yet to be issued, will embody the details of an "alternative fuel" scheme. Meanwhile, the Ministry of War Transport has intimated that owners of vehicles who intend to convert them to the use of alternative fuels should first obtain a licence from the regional transport commissioner. These measures are designed to ensure that the consump-

tion of alternative fuels will bring corresponding economies in the use of imported oil. The success of the effort now being made to economise motor fuels of all kinds will depend on the degree of ruthlessness with which the needs test is applied to consumers.

Organisation of Road Transport

Efforts continue to be made to strengthen the organisation of road transport. According to the annual report of the President of the National Road Transport Employers' Federation, the officials of the seven national associations, which are constituent members of the Standing Joint Committee have proposed a scheme which provides for the creation of four new organisations on a functional basis. Under the scheme public hauliers, private hauliers, and passenger vehicle operators would all have their own autonomous associations; the work of the three organisations would be "co-ordinated insofar as may be practicable and desirable" by a federation comprising them. The President of the Transport Employers' Federation admitted, however, that there was a certain divergence of opinion about the measure of autonomy to be granted to the three operators' associations. Indeed, there are no indications of an early agreement among the various, and frequently conflicting, interests of road transport.

Furniture Prices Controlled

It is not expected that utility furniture will be in production before the autumn, and the President of the Board of Trade has made the Furniture (Maximum Prices, Maximum Charges and Records) Order (SRO, No. 1530), the effect of which is to impose greater control on current furniture prices. The Order replaces the Furniture (Maximum Prices) Order (SR & O No. 828) of May 5, 1942, which froze prices at those current on May 1st, and limits the price to be charged by a manufacturer to his costs, plus a margin of 6 per cent on his costs, or to the current price, whichever is the smaller. The retailer is permitted a margin of 50 per cent on his cost price, including purchase tax, but excluding charges for delivery to him from the manufacturer. Delivery charges are limited to 10 per cent of the manufacturer's price (in Northern Scotland and Northern Ireland it is 20 per cent), in order to keep prices down, and to eliminate long hauls. Retailers may charge for delivery to their customers. The new Order also deals with second-hand furniture, and replaces the Second-hand Goods (Maximum Prices and Records) Order (SR & O 815) so far as furniture is concerned. The dealer is now made subject to the 33½ per cent margin. His selling price may not, however, be more than the current price, as laid down in the Order. Furniture made before 1831 is excluded from the Order; furniture made between 1831 and 1900 is subject to the margin provision only. The Order may have the effect of reducing prices when it comes into force on August 17th, since the margins fixed are the lowest customary in the trade. A large part of the great rise of furniture prices may be attributed to costs of materials and manufacture, but in no small measure the rise has been due to a shortage of furniture in relation to the demand. For this reason, price control alone is not sufficient. Some needs test or licensing system seems necessary to distribute equitably the short supplies. Such measures have been taken with other goods similarly placed, for example, motor-bars, certain sports goods, rubber boots and gloves, and should not be impracticable in the case of furniture.

Hire Purchase Control

A substantial quantity of furniture is bought on hire purchase terms, and in fixing furniture prices, this service has not been left free from control. A section of the Furniture Order discussed above deals with hire purchase terms,

and for the first time, prices which may be charged will be controlled. Before a hire purchase agreement is made, the price at which each article may be bought for cash must be stated in writing. An initial deposit equivalent to at least 12½ per cent of the total cash price of the furniture must be made, with a minimum of £5. The balance must be paid in not less than six instalments, spread over a period of between six months and two years. The charge for hire purchase facilities is limited to a maximum of 20 per cent of the balance due after payment of the initial deposit. These provisions relate to both new and second-hand furniture, and are designed to keep prices of furniture bought on hire purchase terms in line with the cash prices laid down by the Order.

Caterers and Conditions

The Minister of Labour has stirred up an angry buzz among caterers by his proposal to set up a Trade Board to control hours, wages and conditions in all sections of the catering trades. The Minister's view is that he cannot leave trades and industries "unregulated for the post-war period" and that provision must be made for them "in order that there can be a settling back . . . on regulated . . . conditions." Opposition is being organised by the Hotels and Restaurants Association, which maintains that the proposals have no connection with the war, and are "so political that they cannot fail to raise contentious discussion." By a peculiar twist of thought the Association declares the proposals to be "contrary to the political truce." The Minister's proposals are represented as an instrument which may split national unity. Some trades have always been difficult to organise, both from a trade union point of view and from the employers' point of view. Retail distribution was one of these trades, but when Mr Bevin had set the ball rolling, agreements were made by joint industrial councils which were welcomed by all those engaged in retail distribution. Admittedly, the catering trades present a set of problems different from those of other trades, but trade boards cannot avoid taking cognisance of special conditions. *The Caterer and Hotel Keeper* talks of a "wages board threat to catering industry." It has even been said that a wages board would kill the country inn. The trade's protestations that working conditions and wages have so improved in the last decade that control is neither necessary nor desired are somewhat too loud. If prevailing conditions are so good that they cannot be improved, it is unlikely that the proposal to set up a trade board could make them either better or worse, in which case it is unlikely that anyone in the trade would suffer. The various trade organisations concerned have set up a committee to deal with the proposals, and Mr Bevin has talked to the 1922 Committee.

Industrial Caterers' Wages

One section of the catering trade has made an agreement independently of any official action which may be taken. The agreement has been made between the National Society of Caterers' to Industry, on behalf of the employers, and the National Union of General and Municipal Workers and the National Union of Distributive and Allied Workers for the employees, and governs minimum wage rates and working conditions for factory canteen workers in the war industries, and came into operation in the first pay period after August 2nd. Minimum weekly wage rates are as follows:

Male charge hand cooks in London and the provinces, 72s. 6d.; assistant male cooks, 62s. 6d.; female charge hand cooks, 47s. 6d.; female assistant cooks, 42s. 6d. In the London-Metropolitan area: male kitchen porters, 57s. 6d.; cashiers and clerical workers, 40s. 6d.; cleaners, 35s. 6d. Outside London the rates for kitchen porters and clerical workers are 2s. 6d. less and for cleaners 1s. 6d. less.

The rates are subject to an increase of 5s. a week for women and 7s. 6d. for men for five nights worked in any one week, or pro rata for any night worked. The normal working week is one of 48 hours, but is subject to special conditions arising from fluctuations of activity in the working day. The agreement provides for overtime pay, annual holidays with pay, sick pay, free standard meals on duty, and other emoluments valued at 10s. a week. It applies to employees in industrial canteens in factories, as defined in the Factories Act, 1937, or established under

the Factory (Canteens) Order. It is probable that wages paid to canteen workers are considerably in excess of the minima laid down. For example, some male chargehand cooks are paid as much as £10 a week.

Increased Fire Losses

Ordinary fire losses have shown a sharp increase during the first six months of this year; at £8,552,000, they were nearly twice as high as during the corresponding period a year ago and almost as high as those recorded for the whole of 1939. True, the figures available are only estimates—they are calculated by adding 60 per cent to the cost of the principal losses—and they have no doubt been inflated by the rise in prices. Moreover, in view of the expansion in production, the employment of large numbers of unskilled operatives in industry, the dispersal of commodity stocks and the black-out, some increase in fire losses has probably been unavoidable, in spite of the efforts made to prevent their outbreak, with the assistance of the fire insurance offices and the extension of the system of fire watching. But since every factory and every ton of materials destroyed by fire represents an irreplaceable physical loss to the country as a whole, still more attention might be paid to the tightening up of preventive measures.

Earnings in Metal Trades

The changes in the relative earnings of workers in sixteen industrial groups between October, 1938, and January, 1942, revealed by the Ministry of Labour's inquiries, were shown in a table on page 118 of *The Economist* on July 25th. The most striking feature revealed by the table was the marked improvement in men's earnings in the metal trades, which are well above the average for all industries. The accompanying table shows, for the same dates, the changes in the relative earnings of men and women within the metal trades. While comparison of the average earnings in the various branches of engineering and metal manufacture is affected by the proportion of skilled to unskilled workers, by the length of the working week, and by other factors, the table discloses a number of interesting relative movements. For example, average earnings in the aircraft and motor group are well above the average of all metal trades in the case of both men and women; last January men's earnings averaged nearly £7 a week. The relative improvement of earnings in this group

since 1938 is no doubt partly a reflection of its rapid expansion, and of its ability to pay high wages. Women's wages, in spite of their increase, remain well below men's earnings, which explains the renewed pressure of their representations for improvement.

AVERAGE WEEKLY EARNINGS IN METAL, ENGINEERING AND SHIPBUILDING INDUSTRIES

	Men (21 years and over)				Women (18 years and over)			
	Oct., 1938		Jan., 1942		Oct., 1938		Jan., 1942	
	Earnings	% Diff. from Ave.	Earnings	% Diff. from Ave.	Earnings	% Diff. from Ave.	Earnings	% Diff. from Ave.
Pig iron mfr. (blast furnaces).....	s. d. 82 6	+10.0	107 7	-9.7	...	...	...	...
Iron puddling, steel smelting, rolling, etc.....	79 11	+6.7	118 4	-0.6	...	...	54 2	+1.1
Non-ferrous metal mfr.	71 6	-4.7	113 1	-5.1	31 11	-4.2	52 4	-1.7
Tinplate and sheet steel mfr.	83 11	+11.9	118 1	-0.9	34 11	+4.2	43 11	-18.1
Iron and steel tubes	41 9	-44.3	112 7	-5.5	29 5	-11.7	50 2	-6.4
Wire, wire netting, wire ropes, etc....	68 5	-8.8	103 8	-13.0	29 3	-12.2	43 6	-18.8
Engineering, etc....	...	...	...	...	...	...	...	...
Gen. eng. and eng., iron and steel founding.....	73 7	-1.9	114 4	-4.1	32 0	-4.0	55 0	+2.7
Electrical engineering	74 5	-0.8	115 11	-2.7	32 5	-2.8	51 2	-4.6
Marine	75 0	...	110 9	-7.1	...	...	53 9	+0.3
Constructional	71 11	-4.1	101 1	-15.2	...	...	48 0	-10.4
Motor vehicle, cycle and aircraft mfr. and repair	83 3	+11.0	137 8	+15.5	40 2	+20.4	61 10	+15.4
Shipbuilding and repairing	70 1	-6.6	112 11	-5.3	...	...	49 11	-6.8
Railway carriage, wagon and tram building, etc....	71 10	-4.2	102 8	-13.9	...	...	50 10	-5.1
Electric cables, apparatus, lamps, etc.....	72 11	-2.8	111 2	-6.5	36 2	+8.5	48 8	-9.2
Handtools, cutlery, saws, etc.....	68 4	-8.9	107 11	-9.5	27 11	-16.3	43 6	-18.8
Bolts, nuts, screws, rivets, nails, etc.	64 6	-14.0	102 2	-14.3	30 3	-9.2	50 3	-6.2
Brass and yellow metal goods.....	68 10	-8.2	104 11	-12.0	30 6	-7.5	47 3	-11.8
Heating and ventilating eng.....	76 4	+1.8	107 8	-9.7	...	...	...	...
Watches, clocks, jewellery, etc....	71 1	-5.2	98 0	-17.8	30 8	-8.0	41 6	-28.6
Other metal industries.....	69 8	-7.1	113 10	-4.5	32 0	-4.0	46 9	-12.8
Average	75 0	...	119 2	...	33 4	...	53 7	...

INSURANCE NOTES

COMMERCIAL UNION; NORTH BRITISH AND MERCANTILE; NORWICH UNION LIFE; NORWICH UNION FIRE; LEGAL AND GENERAL

The Commercial Union enjoyed a satisfactory year in 1941. Premiums were considerably higher in the fire, accident and marine departments and excellent profits were made, with the result that the company has been able to add substantial sums to its free reserves. The chairman (Sir Bertram Hornsby, CBE), in the opening remarks to his review of the year's operations, made mention of the company's extensive and long-standing interests in the Far East; he indicated that the interruption of trading consequent upon Japan's entry into the war had but slight effect in 1941, so that the loss of income will only become manifest in 1942. The profit in the fire department reflects an improvement in the experience both at home and in the United States, and operations in the Dominions and other overseas countries are stated once again to have given encouraging results. A larger accident income arises mainly in the United Kingdom and the United States and falls chiefly in the employers' liability section, due to increasing industrial activity through the expanding war effort; motor income was well maintained, but commercial and civil defence vehicles now represent a considerable portion of the business. In the marine department there has been a falling-off in cargo business both at home and abroad, but increased war premiums, surcharges on cargo and increases in hull rates required to meet additional hazards and higher costs of repairs, have brought a further expansion in income; after releasing £250,000 the marine fund stands at 142.2 per cent of premiums. Net life new business at £3,807,000 was considerably augmented by comparison with 1940 and about 60 per cent of the pre-war (1938) figure; premium income for the first time passed the two millions mark. Death claims, including those due to enemy action, were within expectation, but net interest earned fell by a further 2s. 11d. per cent to £3 2s. 9d. per cent.

The accompanying table shows underwriting profits totalling £1,538,000, but by reason of the transfer of round sums the

actual credits to profit and loss amount to £1,549,000. Net interest on the general funds of £535,000 and £3,000 for trusteeship and other fees contribute to aggregate credit transfers of £2,087,000. The company charges Dominion, Colonial and foreign taxes in profit and loss instead of the departmental accounts, and these amount to £207,000; ARP and other war expenses absorb £70,000, and UK taxes on profits £564,000. Debenture interest takes £31,000; £25,000 is written off freehold premises and £100,000 transferred to guarantee and pension fund. A transfer of £380,000 is made to the general reserve, bringing this fund up to £5,000,000, and after providing £607,000 for dividends, which are unchanged, the balance of £1,977,000 carried forward is higher by £103,000. Additional reserves in the fire and accident funds amount to £7,694,000, a small reduction of £10,000. The company has created a contingencies and taxation fund, which appears in the balance-sheet at £521,000; this fund includes a provision of £250,000 for future taxation, as well as miscellaneous exchange and other reserves, and it is the intention that the various accretions and diminutions formerly charged to the general reserve shall in future be carried to the new fund. Up to the end of 1941 just short of £5,000,000 had been invested in war issues and a further £1,500,000 has been similarly invested since the beginning of this year. During the year the company administered policies under the Government War Risk Insurance schemes involving premiums of £10,000,000.

The North British and Mercantile writes accident business through the Railway Passengers, marine through the Ocean Marine, and, in addition to its own major fire account, a small volume of this class through the Fine Art and General. The figures in the table show the aggregate premiums and profits as reported in the accounts of the various companies, although the accounts of the parent company include only the dividends received from the subsidiaries. In his statement to the shareholders the deputy-chairman (the Hon. Arthur O. Crichton) indicated that the improved fire results were contributed to by business both at home and in the United States and that the general foreign account also yielded a satisfactory profit. Accident underwriting produced an excellent profit on an enhanced income. Marine operations are complicated by delays in notify-

FAMOUS SINCE 1795

J. TARD'S
COGNAC BRANDY

ing losses and effecting repairs, but after releasing £60,000 the reserve in hand is considered ample for the running off of claims on 1940 and previous accounts. The net volume of new life assurances completed at £1,945,000 is slightly lower than in 1940, but an upward trend was noticeable towards the end of the year. Death claims of £1,028,000, although including war deaths costing £167,000, were well within expectation; the position in regard to the rate of interest earned is not so satisfactory, there having been a further decline in the year under review. The profit and loss account of the parent company includes underwriting profits of £279,000 and £35,000 from its fire and life departments respectively; net interest income on the general funds at £399,000, a reduction of £45,000, embodies as before tax-free dividends of £170,000 from the subsidiaries—well within their actual earnings—and aggregate credits come to £715,000. An item of £14,000 for foreign and Colonial taxes not chargeable to other accounts, United Kingdom taxes of £173,000, and miscellaneous expense charges of £76,000 together absorb £263,000. After payment of the January dividend on the preference shares, costing £18,000, and making provision for the ordinary dividend at the same rate as before, costing £355,000, the balance carried forward is £2,614,000, an increase of £56,000 on the corresponding figure a year ago. There is an additional reserve of £3,000,000 in the fire account, as well as a contingency fund of £1,000,000. A valuation of investments at the close of the year discloses a considerable increase in the market value by comparison with the previous year, with a comfortable margin over book values. With its associated companies the NB and M has subscribed since the outbreak of hostilities nearly £6,000,000 to Government War Loans, and at the end of 1941 holdings of Government securities represented about 44 per cent of the total Stock Exchange investments.

The Norwich Union Life transacted net new life business in 1941 of £6,683,000, virtually no change on the previous year's total and 57 per cent of the pre-war (1938) figure. Premium income, which is slightly lower, is composed of United Kingdom and overseas business in proportions of two-thirds and one-third respectively. Net interest earned fell by 2s. 7d. per cent to £3 7s. 9d. per cent; the rate is about 3s. per cent lower than it would otherwise be by reason of the temporary exclusion from the figures of interest in respect of securities in enemy-occupied countries. Death claims amount to £1,267,000, of which £209,000 is directly due to war deaths at home and abroad, but even so the cost is below expectation.

The society invested in 1941 over £950,000 in British Government securities, and these now stand in the balance-sheet at £6,759,000; in addition, about £400,000 of War Bonds were purchased during the year for individual policyholders under special Savings Bonds schemes and £600,000 was invested in Dominion and Indian Government securities. Other assistance includes placing at the disposal of the Government since the beginning of the war nearly £1,000,000 in overseas currencies and £500,000 in overseas securities. Stock Exchange securities increased in value considerably during the year, but are shown in the balance-sheet at prices on December 31, 1940; securities in enemy-occupied countries are included, with the corresponding liabilities, at prices on December 31, 1939, and the president (Mr Ernest Hicks) indicated in his address that the two items are practically equal.

Reference is made in the president's address to the society's holding of the shares of the Norwich Union Fire, which appear in the balance-sheet at a figure of £6,088,000. Mr Hicks stated that at the time of purchase in 1925 the total assets of the Fire Society were £5,700,000, while at the end of last year these had increased to £7,600,000; moreover, the shares carried an uncalculated liability of £493,000, not reserved for, which has since been entirely discharged out of the profits of the Fire Society, and the shares are now fully paid. Throughout the period the gross dividend on the investments has been £4 6s. 8d. per cent on the balance-sheet figure. The asset total of £7,600,000 is, of course, in part held against reserves for liabilities; the capital and apparent free reserves amount to £2,435,000, so that the balance-sheet value of the shares, after allowing for any margins in reserves, must include a substantial sum for goodwill.

The accounts of the Norwich Union Fire show substantial additions to premiums in all three departments and a larger aggregate profit. The improved fire result has been secured notwithstanding a loss from the American business. Overseas oper-

ations again contribute to excellent accident figures, and the marine account is considered to be progressing satisfactorily. Combined underwriting profits of £301,000 are augmented by net interest earnings of £111,000 and the total credits to profit and loss come to £412,000. Income and other home taxes take £168,000; directors' remuneration £9,000 and provision for bad debts, etc., £5,000; £75,000 is transferred to the pension fund. There is a net charge of £8,000 for debenture interest and the balance carried forward is £335,000 before providing for the dividend, which is unchanged and costs a gross figure of £264,000. In the balance-sheet Stock Exchange securities are taken "at or under market value," and the chairman stated that there remains a satisfactory undisclosed appreciation.

Chief interest in the accounts of the Legal and General centres in the results of the quinquennial valuation. This has been made on more stringent lines than five years ago, the interest rates employed for life assurances being 2½ per cent in the case of with-profits assurances, on a net premium basis, and for without-profits assurances—which represent the bulk of the contracts—3 per cent, with an ample margin for future expenses. The result is a surplus in the life and annuity funds of £705,000, against the figure of £2,042,000 which would have emerged had the valuation been made on the same basis as before. Under the society's Act of Parliament with-profits policyholders are entitled to a maximum rate of reversionary bonus of 38s. per cent per annum compound, and if this rate is not paid at the end of one quinquennium policyholders cannot be compensated by a higher rate at the next distribution. Taking this and other circumstances into account, the directors have decided to allocate the maximum rate of reversionary bonus; the cost is £509,000, and of the remaining surplus £68,000 (one-tenth of the divided profits, plus interim bonuses paid during the quinquennium) is transferred to profit and loss account and £127,000 is carried forward in the life and annuity fund. The valuation of the sinking fund account produces a deficit of £12,000, which is met by transfer from profit and loss; in respect of permanent sickness contracts there is a surplus of £50,000, £20,000 of which is transferred to profit and loss, the balance being carried forward.

The assets, which are not hypothecated to the several assurance funds, have also been valued. The following sums have been written off investments: Stock Exchange securities, £555,000; shares in subsidiary companies £155,000; freehold and leasehold properties, £35,000; other investments £82,000. These items aggregate £827,000, against which the value of reversions has been written up by £229,000, so that there is a net depreciation of £598,000; £500,000 of this has been provided by a reduction in the investment reserve, and £98,000 is met from profit and loss. The investment reserve fund of £1,500,000 is further depleted by an amount of £500,000, being a re-transfer to the life fund of a sum transferred in the other direction in 1939, and the remaining balance of £500,000 has been consolidated with the general reserve of £500,000 into one reserve of £1,000,000. After making these adjustments the market values of Stock Exchange securities exceed the book values, and assets in the aggregate are certified to be fully of the value stated, less the reserve fund.

Operations during 1941 produced net new business in the life department of £10,133,000, an increase of about £500,000. Life premiums at £5,487,000 are higher by £352,000. The net rate of interest earned fell by 9s. 7d. per cent to £3 9s. 7d. per cent. With the inclusion of war deaths there was a small mortality loss on ordinary business, but under the society's large group assurance account mortality remained favourable. The life and annuity expense ratio was lower at 11.1 per cent of premiums, against 11.3 per cent for 1940. Fire and accident business produced higher premiums as well as increased profits, which amounted to £70,000. With interest income on the general funds of £51,000, the transfers already mentioned of £68,000 and £20,000 from the life and permanent sickness funds respectively, and a profit on investments realised of £65,000, the aggregate credits to profit and loss amount to £274,000. Outgo items include the sums of £98,000 written off investments and £12,000 transferred to sinking fund account to which absorb £12,000 and £10,000 is transferred to staff pension reserve. The balance carried forward is £379,000, from which will be paid the dividend of 3s. per share (unchanged), involving a gross cost of £150,000.

COMPANY MEETINGS

IMPERIAL BANK OF IRAN

IMPORTANT EXCHANGE ALTERATION

The following is an extract from the statement by the Chairman (Colonel Sir A. Henry McMahon, G.C.M.G., G.C.V.O., K.C.I.E., C.S.I.) in lieu of the customary address at the annual meeting.

The official rate of exchange in Iran has undergone an important alteration. When we closed our accounts on March 20, 1941, the official rate was 68.80 rials per pound sterling, based on the rate of 17 rials per U.S.A. dollar which had been in force since December, 1939. This official rate was maintained until September, 1941, but as an index of exchange value it was effective only in a very limited and arbitrary way. Importers of commodities to Iran were paying in practice about 174 rials to the pound sterling and holders of Iranian currency who desired simply to remit their funds abroad were debarred from doing so at any rate. We ourselves suffered from this disability in respect of much of our own requirements. As bankers whose business it is to lubricate the wheels of trade, we welcome the greater freedom of exchange movement, and we support, under modern conditions, the policy of stabilised and controlled rates of exchange now generally adopted throughout the world.

RECORD FIGURES

The effect of converting the Iranian figures, incorporated in our balance sheet, at 142 as against 68.80 in the preceding year, would naturally be to reduce their sterling equivalent by more than half. Actually, instead of reduction, the total figures of the balance sheet show an increase. They are, in fact, the largest in our history. Deposits have grown by £5,000,000. This expansion calls for a high degree of liquidity, and the cash item is accordingly over £2,800,000 higher than last year. Investments are up by £1,200,000 and advances have risen by £1,000,000. The contra accounts under the heading of acceptances show a welcome increase from £629,000 to £2,490,000. This increase is mainly in documentary credits opened by us for Iranian customers to finance imports from India, America and elsewhere. It reflects higher prices, but in the main it represents greater freedom of import for the basic necessities of tea, sugar and textiles, to a country where the demand for consumption had increased owing to better employment, where stocks were low, and where some other channels of supply were closed.

We have latterly been able to remit our sterling requirements from Teheran to London, though at the higher rate of exchange they have yielded us only half the amount at which they were valued at March 20, 1941. As a consequence, we have been able to release our reserves against unremitted profits, which have more than covered our loss on exchange

conversion. We are pleased to show an increase of £35,388 in the net profits. This result enables us, after providing for the usual dividend, to place £40,000 to reserve account, which had been increased by only £10,000 in the previous 4 years, and to add £2,828 to the carry forward.

TRADE INCREASINGLY ACTIVE

The statutory limit of the note issue in Iran was further raised on April 1, 1942, to 2,700 million rials, equal to some £20,000,000. This increase was overdue and the amount is moderate. Trade has been increasingly active since last autumn. The cost of living has got rather out of hand, and there is so far no effective check on prices or wages.

Economic conditions in Iran, apart from the cost of living and the shortage of transport, are prosperous. The textile, sugar and other factories are thriving, and these local enterprises, which are all of recent growth and which owe a great deal to the constructive energy of Reza Shah, have proved a godsend.

OHLSSON'S CAPE BREWERIES, LIMITED

INCREASED PROFIT

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

Mr Geoffrey Dent (the chairman) said that once again the profit from trading and rentals showed a substantial increase of £128,016, or 32 per cent, on the figure of the previous year. During the year under review the stimulation of production due to war conditions and the presence of large numbers of troops had resulted in a very large demand for beer, and their breweries had all been working to maximum capacity. Shipping difficulties had made it imperative to rely as far as possible on materials and goods produced in South Africa, but they were still dependent on imports from overseas for a part of their requirements.

How far their output might be reduced during the current year by increasing restrictions on such imports he was unable to say, but some reduction seemed certain. Already the supply of Crown corks was severely rationed, and the restriction of other commodities was to be expected.

The profit on trading and rentals amounted to £537,937, and they proposed to pay a final dividend of 10 per cent. on the ordinary shares, less tax, making 15 per cent. for the year. It had been necessary to provide £325,000 to cover the total tax liabilities, which was £115,000 more than required in the previous year. That provision, which covered all their known tax liabilities, was equivalent to over 54 per cent. on the ordinary share capital. During 1941-2 the company had paid £610,932 to the Governments of South Africa and this country—a very considerable contribution towards the cost of the war. A transfer of £50,000 from profits to contingencies reserve had been made, bringing the total up to £135,746.

The report was adopted.

LUNUVA (CEYLON) TEA AND RUBBER ESTATES, LIMITED

SOUND POSITION

The 35th ordinary general meeting of the Lunuva (Ceylon) Tea and Rubber Estates, Limited, was held on the 5th instant in London, Mr. H. J. Welch (the chairman) presiding.

The following are extracts from the Chairman's address circulated with the report and accounts:—But for the large sums which had to be provided for taxation the year's profits would have been eminently satisfactory. The costs of all our three products were increased by causes arising out of the war, but the prices obtained were also higher. The profits per lb. of tea and rubber were greater than in the previous year. They amounted to nearly £17 per planted acre for tea and £6 13s. for rubber. Upon the coconut production, however, there was unfortunately a loss amounting to £1 6s. per planted acre. The directors propose to transfer a further £46,000 to reserve for British taxation and to pay a final dividend of 6 per cent., making 10 per cent. for the year. Owing to the relief to which the company is entitled in respect of Ceylon taxation, the 10 per cent. becomes equal to a dividend of 13.73 per cent., subject to deduction at the standard rate.

Our very valuable buildings, machinery and plant still stand at the nominal figure of £1, and cash and British Government Securities amounted to over £400,000. The issued capital is equal to about £53 13s. per planted acre of tea, rubber and coconuts, and if the amount of the net surplus assets is deducted therefrom, such planted areas and equipment, etc., stand at less than £40 per acre.

During 1942 we estimate to produce increased crops of tea, rubber and coconuts, but at increased costs. If all goes as well as now appears probable, it will still not be possible to pay any larger dividend, owing to the operation of the excess profits tax.

The report was unanimously adopted.

HARLAND AND WOLFF, LIMITED

ANNUAL MEETING

The fifty-seventh annual general meeting of Harland and Wolff, Limited, was held, on the 30th ultimo, at the Grand Central Hotel, Royal Avenue, Belfast.

Sir Frederick E. Rebeck, D.L., J.P., chairman of the company, presided.

The Secretary (Mr A. T. Marshall) having read the notice convening the meeting and report of the auditors, the Chairman intimated that he was again unable for obvious reasons to make his usual speech embracing the company's activities. He therefore formally moved the adoption of the report and accounts.

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

The retiring directors (Mr F. G. Dunlop and Mr Wm. Strachan, Jr.) were re-elected, and the auditors (Messrs Price Waterhouse and Co.) were re-appointed.

PREMIUMS AND UNDERWRITING PROFITS, 1941

Department	COMMERCIAL UNION				NORTH BRITISH & MERCANTILE				NORWICH UNION SOCIETIES			
	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	(£'000) 5,814	+ 259	(£'000) 437	+ 265	(£'000) 4,031	+ 246	(£'000) 325	+ 199	(£'000) 2,140	(£'000) 161	(£'000) 90	(£'000) + 58
Accident	8,342	+ 808	752	+ 45	1,354	+ 48	172	+ 7	1,612	168	162	+ 17
Marine	1,477	+ 139	250	+ 100	697	+ 62	60	+ 10	708	75	49	+ 25
Total, excl. Life, etc.	15,633	+1,206	1,439	+ 410	6,082	+ 356	557	+ 216	4,460	404	301	+ 66
Life	2,004	+ 12	95*	+ 4	2,410	+ 70	35†	+ 216	4,143	183	...	...
Capital redemption	46	...	4	...	16	+ 3	...	...	185	73	...	...
Grand Total	17,683	+1,218	1,538	+ 406	8,508	+ 289	592	+ 216	8,788	148	301	+ 66

* One-fifth of Stockholders' proportion of Life profits for quinquennium ending 31st Dec., 1937, £47,000; one-fifth of Union Life Fund profits, £5,000; allocation from Hand-in-Hand Fund profits, £45,000.

† One-fifth of Shareholders' proportion of Life profits for four years ending 31st Dec., 1939.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

In view of the gravity of the situation in Russia, it was not surprising that the passing of the holiday brought little improvement in business, most investors tending to await developments. Interest, however,

continued to centre on industrial equities, particularly some of the heavy industrial issues and textiles, with their higher yields and possibilities of capital appreciation in the present condition of the market. Funds and other fixed interest securities were neglected. The number of bargains marked shows a decline against the previous week, but prices were generally steady, and responded to quite small transactions owing to the shortage of stock. The almost complete absence of any quotable changes among the funds reflected the relative inactivity of the gilt-edged

market, where markings averaged just over 400 daily. Further falls of ½ for the National War bond issues expressed the market's adjustment to the Chancellor's decision not to create any new short term issue. At the re-opening, however, Old Consols and 5 per cent Conversion both added ½, while the following day 3 per cent Conversion gained the same amount. There was no expansion in activity in the latter part of the week, and very little change in quotations. This is the more remarkable in view of the slump in demand for "tap" bonds.

Although business in the foreign bond market, as revealed by the number of markings, was light, some interest was displayed in South American issues, and on the whole prices were well maintained. Brazilian issues indeed showed substantial advances on the definite signing of trade agreements with the USA, a movement in which Brazilian Traction joined. Chilean bonds displayed firmness at the re-opening, and both Mexican and Peruvian stocks received light support. Among Japanese stocks, which generally remained steady throughout, the 6 per cent issue of 1924 was prominent with a gain of $\frac{1}{4}$ in mid-week.

With the passing of the interim dividend season interest in home rails subsided, and the very light turnover had little effect on quotations, although there was some easing of prices in mid-week. GW ordinary fell $\frac{1}{4}$ and Southern deferred $\frac{1}{4}$ on Wednesday, when the Berwick First and the LMS 1923 4 per cent preference stocks lost $\frac{1}{4}$ and $\frac{1}{2}$ respectively. In the foreign rail market, prices were maintained in quiet conditions, although mid-week witnessed a general easing among Argentine stocks on the unfavourable crop outlook. Elsewhere, Canadian Pacific ordinary advanced strongly on steady support, rising a point on the week, with a very fair volume of both buying and selling.

Business in the industrial market was confined to particular issues with topical interest, investors generally preferring to await developments. Thus, while the bargains marked averaged almost 1,000 daily, the actual volume of business was insufficient markedly to affect quotations, which generally fluctuated narrowly and without trend. Among brewery issues Watney deferred enjoyed steady support, and on the bonus announcement was marked up 3s. While most issues were steady, both Distillers and Guinness eased slightly. In the motor and aircraft section, Leyland was sold, losing $\frac{1}{4}$ at the re-opening, but Rolls-Royce gained the same amount in mid-week, although most issues showed little change. The Richard Thomas report attracted some support to the heavy industrial market, where the number of bargains marked was around the previous week's figure. While the ordinary and preference issues of Richard Thomas reacted slightly in mid-week after some earlier improvement, Baldwins, Dorman Long, South Durham and Colvilles all advanced. The textile section also enjoyed steady support, Tootal Broadhurst advancing 9d. on the annual report, while in the all round improvement both Fine Spinners and Calico Printers were prominent. Shipping issues fluctuated within narrow limits, but Cunard, after an earlier advance, reacted on profit-taking in mid-week. Stores shares, however, generally remained steady, while Gallaher was the only feature in the tobacco group, advancing $\frac{1}{4}$ on the week. Brazilian Traction provided the chief interest in the miscellaneous section, advancing steadily, while International Nickel also improved. Later

on an even brisker business developed in Brazilian Traction, but without price change.

The dull conditions prevailing in the *kaffir* and other mining markets before the holiday continued into the current week. In the absence of any lead from the Cape, interest was at a low ebb and prices fluctuated without any great change, although most movements were downward. The tea market was rather more active, and while the real volume of business was not large, small improvements were frequent. Rubber shares, however, were dull with an easier tendency, but Ceylon issues remained firm in view of the efforts to increase output. Conditions in the oil market were without interest, trading prior to mid-week having little effect on quotations. But with the news of further German successes in the Caucasus, most issues were marked down in sympathy with Anglo Iranian, which lost $\frac{1}{8}$ on Wednesday.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Corres. Day 1941	Security Indices	30 Ord. shares*	20 Fixed Int.†
July 30.....	3,042	2,752	81.3	133.5	
" 31.....	3,023	2,891	81.4	133.5	
Aug. 3.....	3,504	Bank Holiday	81.6	133.5	
" 4.....	3,504	3,138	81.8	133.5	
" 5.....	3,276	3,805	81.8	133.5	

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.8 (Aug. 5); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5). † New basis in S.E. List. ‡ Old basis.

New York

RECENT news has not been of a character to inspire a recovery on Wall Street. After some irregularity on the Friday, markets closed fairly steady before the week-end, but the underlying easiness again made itself apparent on Monday. Later, a moderate burst of buying, inspired by genuine investment demand and centred on rail issues, did something to revive turnover, but sentiment remained diffident. The absence of selling pressure must be attributed to general discounting of the continued reverses in Russia, but lower company profits and tax fears at home remain sufficient to discourage any real recovery in business until the future is clearer.

STANDARD STATISTICS INDICES (1935-36=100)

	WEEKLY AVERAGES				
	Low April 29	High Jan. 14	July 15, 1942	July 22, 1942	July 29, 1942
347 Industrials.....	62.4	75.0	72.4	71.8	69.9
32 Rails.....	58.4d	71.0b	63.5	64.2	63.9
40 Utilities.....	53.1	67.4a	58.7	59.0	58.2
419 Stocks.....	60.8	73.3	69.7	69.4	67.7
Av. yield*.....	8.40%	6.72c	6.72%	6.79%	7.00%

* 50 Common Stocks. (a) Jan. 7. (b) Feb. 4. (c) July 15. (d) June 24.

COMMODITY AND INDUSTRY NEWS

Rye 1943 Prices.—The Government is anxious to encourage the growing of rye in lighter soils which are not suitable for wheat, since rye can be used for human food and for certain industrial purposes. An acreage payment of £3 per acre is therefore to be paid for rye of the 1943 crop that is fully ripened and threshed as grain. The maximum price will be 14s. a cwt. (63s. a quarter). For a crop of 3 quarters per acre the total return will be 83s. a quarter, an increase of 13s. 3d. a quarter over the 1942 price.

Canned Meat Representative.—The Ministry of Food has appointed Mr W. G. Giron, managing director of Messrs Swift

and Co., Ltd., to represent the Ministry in Argentina, Uruguay and Brazil in the importation of canned meats from those countries. He will be responsible for all local matters relating to the preparation and export of the canned meats and will work in collaboration with the representative in South America responsible for frozen meat shipments.

Belgian Congo Rubber.—The Government has reached an agreement with the Belgian Colonial Ministry under which the Belgian Congo rubber output is to be purchased at a price which has been calculated to bring forward the maximum quantities available. A Commission has

DAILY AVERAGE OF 50 COMMON STOCKS

July 23	July 24	July 25	July 27	July 28	July 29
87.6	87.7	87.7	87.7	87.5	86.0

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Total share dealings: July 30, 251,000
July 31, 307,000; August 1*, 115,000
August 3, 279,000; August 4, 319,000
August 5, 290,000.

* Two-hour session only.

Capital Issues

Week ending August 8, 1942	Nominal Capital	Conversions	New Money
To Shareholders only.....	Nil	Nil	£
Particulars of Government issues appear on page 189			
Year†	Including Conversions	Excluding Conversion	
1942.....	984,528,357	970,855,54	
1941.....	968,040,953	915,906,37.	

Destination (Conversions Excluded)	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
Year†			
1942.....	970,461,081	349,272	55,19
1941.....	912,555,525	329,846	70,00

Nature of Borrowing (Conv. Excl.)	Year†	Deb.	Prof.	Ord.
1942.....	912,725,708	731,318	6,017.19	
1941.....	911,965,589	304,480	3,636.22	

† Includes Government issues to July 28, 1942, only. Above figures include all new capital in which permission to deal has been granted.

Shorter Comments

Commercial Bank of Australia.—Preliminary statement shows net profit for year ended June 30th £241,813 (£258,110). The ordinary dividend (payable in Australian currency) is 6d (7 1-12) per cent.

Canadian Pacific Railway.—Gross earnings, June, 1942, \$21,244,666 against \$18,496,265 in June, 1941, and \$21,522,075 in May, 1942. Net earnings, June, 1942, \$4,174,365 against \$4,068,304 in June, 1941, and \$4,233,560 in May, 1942.

Kuala Muda Rubber Estates.—Postponement of debenture interest payment was unanimously agreed by a meeting of the debenture-holders held on July 28, 1942.

Hiram Walker-Gooderham and Worts (\$000's).—Cons. profit quarter ended May 31st, \$4,458 (\$3,636), other income \$18 (68). Depreciation \$249 (\$208), deb. int. \$190 (\$142). E.P.T. \$2,228 (\$1,624), leaving net profit \$1,798 (\$1,717,45).

Page and Overton Redemption.—The company is to redeem the whole of the £227,595 outstanding 4½ per cent. debenture stock at 110 on February 1, 1943.

been established by the Belgian Colonial Government to administer and stimulate the production of plantation and wild rubber. Abandoned plantations will be reopened and labour will be transferred from less essential work.

Food Prosecutions.—During June there were 2,983 prosecutions under the Food Control Orders. Of the 2,738 convictions, 139 were against wholesalers and 1,250 against retailers. Offences against maximum price Orders accounted for 794 convictions; imposing conditions of sale, 19; failure to display prices, 64; illegal

(Continued on page 192.)

GOVERNMENT RETURNS

For the week ended August 1, 1942, total ordinary revenue was £66,915,000, against ordinary expenditure of £119,490,000, and issues to sinking funds of £150,000. Thus, including sinking fund allocations of £2,752,965, the deficit accrued since April 1st is £973,432,000 against £1,013,030,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	Receipts into the Exchequer (£ thousands)			
		April 1 to Aug. 2, 1941	April 1 to Aug. 1, 1942	Week ended Aug. 2, 1941	Week ended Aug. 1, 1942
ORDINARY REVENUE					
Income Tax.....	913,000	122,183	194,885	7,279	15,429
Sur-tax.....	78,000	9,728	9,280	250	240
Estate, etc.,					
Duties.....	90,000	33,542	33,593	1,688	1,640
Stamps.....	15,000	3,831	4,440	100	140
N.D.C.....	425,000	6,068	8,808	483	700
E.P.T.....	1,000	60,064	86,154	4,644	7,728
Other Ind. Rev.		155	240	10	10
Total Ind. Rev.	152,200	235,571	337,400	14,444	25,887
Customs.....	438,295	112,984	143,811	4,704	5,120
Excise.....	366,705	96,912	135,980	25,972	25,480
Total Customs & Excise.....	805,000	209,896	279,791	30,676	30,600
Motor Duties.....	34,000	7,138	3,572	876	173
Canadian Govt. Contribution	225,000	...	123,355	...	7,304
P.O. (Net Receipts).....	10,000	4,250	7,000	400	800
Wireless Licences	4,300	...	890	...	200
Crown Lands.....	800	430	360	...	...
Receipts from Sundry Loans	5,000	1,768	786	259	12
Miscellaneous Receipts	21,000	20,399	33,119	1,540	1,939
Total Ord. Rev.	262,100	479,452	786,273	48,195	66,915
SELF-BALANCING P.O. & Brdcastg.	102,523	31,100	33,100	2,250	2,500
Total.....	272,623	510,552	819,373	50,445	69,415

Expenditure	Estimate, 1942-43	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Aug. 2, 1941	April 1 to Aug. 1, 1942	Week ended Aug. 2, 1941	Week ended Aug. 1, 1942
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	325,000	110,136	122,571	7,459	11,960
Payments to N. Ireland.....	9,500	2,402	2,347	...	...
Other Cons. Fund Services.....	7,800	3,082	3,400	9	8
Total.....	342,300	115,620	128,318	7,468	11,968
Supply Services.....	494,417	137,445	162,863	94,539	107,522
Total Ord. Exp.	528,647	149,005	175,695	102,007	119,490
SELF BALANCING P.O. & Brdcastg.	102,523	31,100	33,100	2,250	2,500
Total.....	538,900	152,155	179,005	104,257	121,990

After decreasing Exchequer balances by £102,834 to £2,956,435, the other operations for the week (no longer shown separately) raised the gross National Debt by £51,933,609 to about £15,044 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Aug. 1st and Aug. 7th. (Figures in brackets are par of exchange.)

United States. \$ (4-86) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-86) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-22) 17-30-40. Sweden. Krona (18-159) 16-85-95. Argentina. Peso (11-46) 16-95½-17-13; mail transfers 16-95½-17-15. Dutch West Indies. Florin (12-11) 7-59-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20. Panama. 4-02-04; mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Piastres (110) 820. Italy. 11-25 lrp.

Finance

NET ISSUES (£ thousands)		
P.O. and Telegraph.....	100	
Overseas Trade Guarantees.....	506	
	606	
NET RECEIPTS (£ thousands)		
War Damage Act.....	1,000	
Tithe Act.....	295	
	1,295	

FLOATING DEBT (£ millions)

Date	Treasury Bills	Tender	Tap	Public Depts.	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1941								
Aug. 2	960.0				Not available			
1942								
May 2	935.0				"			
" 9	950.0				"			
" 16	965.0				"			
" 23	975.0				"			
" 30	975.0	1805.3	254.8	...	518.5		3553.6	
June 6	975.0				Not available			
" 13	975.0				"			
" 20	975.0				"			
" 30	2,638.5		160.4	36.3	591.5		3426.7	
July 4	975.0				Not available			
" 11	975.0				"			
" 18	975.0				"			
" 25	975.0	1654.3	166.8	...	654.5		3450.6	
Aug. 1	975.0				Not available			

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1941					
Aug. 1	75.0	165.2	75.0	s. 20	d. 14
1942					
May 8	75.0	143.8	75.0	20	0.73
" 15	75.0	135.4	75.0	20	0.65
" 22	75.0	143.9	75.0	20	0.78
" 29	75.0	151.5	75.0	20	0.70
June 5	75.0	147.3	75.0	20	0.56
" 12	75.0	131.6	75.0	20	0.67
" 19	75.0	124.3	75.0	20	0.90
" 26	75.0	141.4	75.0	20	0.58
July 3	75.0	143.9	75.0	20	0.54
" 10	75.0	157.7	75.0	20	0.52
" 17	75.0	139.6	75.0	19	11.93
" 24	75.0	136.6	75.0	20	0.60
" 31	75.0	155.1	75.0	19	11.91

On July 31st applications at £99 14s. 11d. per cent for bills to be paid for on Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 28 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury Bills are being offered on Aug. 7th. For the week ending Aug. 8th the banks will be asked for Treasury deposits to a maximum amount of £15 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	(£ thousands)			
	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
June 23.....	4,566	1,820	4,636	7,087
" 30.....	4,160	1,455	8,325	5,066
July 7.....	4,025	2,116	8,546	5,855
" 14.....	3,913	2,075	8,870	13,966
" 21.....	4,039	1,987	18,059	11,802
" 28.....	3,887	1,733	12,240	33,902
Aug. 4.....	...	...	4,070	4,775
Totals to date...	585,656*	478,849*	811,906†	512,238‡

* 140 weeks. † 83 weeks. ‡ 43 weeks. † Including series "A." Interest from loans received by the Treasury up to Aug. 4th amounted to a total value of £49,441,828. Up to July 25th, principal of Savings Certificates to the amount of £74,822,000 has been repaid.

Market Rates.—The following rates remained unchanged between Aug. 1st and Aug. 7th.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Aug. 2, 1941	Aug. 9, 1942	Aug. 2, 1941	Aug. 9, 1942
Working days —	6	6	181	180
Birmingham	2,673	2,758	69,813	77,709
Bradford	2,601	2,772	68,061	65,724
Bristol	1,833	3,000	60,062	76,150
Hull	837	921	19,523	23,914
Leicester	1,875	2,046	31,182	34,918
Liverpool	857	856	25,583	26,282
Manchester	6,073	5,157	162,797	143,461
Newcastle	14,718	13,065	360,697	371,433
Nottingham	1,387	1,671	39,984	46,156
Sheffield	526	485	13,743	14,393
Southampton	970	725	21,410	26,313
Dublin*	130	80	2,985	3,519
12 Towns	34,480	33,536	875,840	909,972
Dublin*	5,229	5,883	181,579	200,913

* July 26, 1941, and July 25, 1942.

OVERSEAS BANK RETURNS

BANK OF CANADA Million Can. \$

	July 16, 1941	July 24, 1942	July 1, 1942	July 15, 1942
ASSETS				
† Reserve: Gold	208.2	181.5	944.1	763.5
Other	650.4	803.4	815.8	846.1
† Securities				
LIABILITIES				
Note circulation	401.7	534.7	541.2	554.1
Deposits: Dom. Govt.	39.5	35.0	31.3	22.9
Chartered banks	205.6	200.3	221.3	244.8

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

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

12 U.S.F.R. BANKS	July			
	31, 1941	16, 1942	23, 1942	30, 1942
RESOURCES				
Gold certifs. on hand and due from Treasury	20,303	20,550	20,550	20,549
Total reserves	20,612	20,834	20,832	20,828
Total cash reserves	293	270	269	265
Total U.S. Govt. sec's	2,184	3,038	3,047	3,110
Total bills and sec's	2,193	3,053	3,063	3,127
Total resources	23,806	23,345	23,992	23,994
LIABILITIES				
F.R. notes in circ'n	6,829	9,508	9,563	9,655
Excess m'r. bank res.	5,160	2,070	2,300	2,200
Mr. bank res. dep.	13,097	12,042	12,531	12,545
Govt. deposits	15,766	14,289	14,196	14,138
Total deposits	23,806	23,345	23,992	23,994
Total liabilities	31.2%	87.5%	87.7%	87.5%
Reserve ratio				
BANKS AND TREASURY RESOURCES				
Monetary gold stock	22,673	22,742	22,745	22,746
Treasury & bank currency ..	3,163	3,319	3,321	3,322
LIABILITIES				
Money in circulation	9,697	12,502	12,546	12,647
Treasury cash and dep.	3,251	3,147	2,521	2,407

CENTRAL BANK OF ARGENTINA Million paper pesos

	July 15, 1941	May 15, 1942	May 15, 1942	June 15, 1942
ASSETS				
Gold at home	1,071	1,077	1,077	1,077
Other gold and for. exch.	323	538	570	570
Non-int. Govt. bonds	119	119	115	114
Treasury bonds	394	394	394	392
LIABILITIES				
Notes in circulation	1,232	1,477	1,483	1,469
Deposits: Government	105	30	31	42
Banks	564	590	603	631
Certs. of participation	27	20	23	23
Reserve ratio	73.0%	75.4%	75.8%	75.6%

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

	June 1, 1941	May 1, 1942	June 1, 1942	June 1, 1942
ASSETS				
Gold and s'g. exch.	24.21	25.58	25.92	26.10
Advances to State	18.31	33.75	33.69	32.36
Investments	3.77	4.15	4.15	4.15
LIABILITIES				
Bank Notes	21.76	24.65	24.98	25.00
Demand liab's: State	11.01	11.63	12.22	14.59
Banks and others	12.51	25.27	23.19	21.03
Reserve to sight liab's	53.4%	41.5%	42.9%	43.0%

AMERICAN WHOLESALE PRICES

	July 25, 1942	Aug. 4, 1942
GRAINS (per bushel)—		
Wheat, Chicago, Sept.	117½	117½
Winnipeg, Oct.	90	90
Maize, Chicago, Sept.	89½	87½
Oats, Chicago, Sept.	49½	50½
Rye, Chicago, Sept.	67½	66½
Barley, Winnipeg, Oct.	61	60½
METALS (per lb.)—		
Copper, Connecticut	12.00	12.08
Tin, N.Y., Straits, spot	52.00	52.00
Lead, N.Y., spot	6.50	6.50
Spelter, East St. Louis, spot ..	8.25	8.25
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Acera, Dec.	—†	—†
Coffee, N.Y., cash	94	94
Rio, N.Y., cash	133	133
Santos, No. 4	19.72	19.67
Cotton, N.Y., Am. mid., spot ..	18.11	18.07
Cotton Oil, N.Y., Sept.	14.05	13.95
Lard, Chicago, Sept.	12.90	12.85
Petroleum, Mid-cont. crude, per barrel	117	117
Rubber, N.Y., smkd. sheet spot ..	—†	—†
Jan.-Mar.	—†	—†
Sugar, N.Y., Cuban Cent., 96 deg. spot	3.74½	3.74½
Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Mar.	—†	—†
Moody's Index of staple commodities, Dec. 31, 1931=100 ..	229.7	230.6
† Trading suspended.		
† Nominal.		

BRITISH WHOLESALE PRICES

	July 28, 1942	Aug. 4, 1942
CEREALS AND MEAT		
GRAIN, etc.		
Wheat	s. d.	s. d.
No. 1 N.Mt. 49b lb. f.o.b. St. J.	37 8	37 8
Reg. Gaz. av. per cwt. (e)	15 5	15 7
Flour per 280 lb.		
Straights d/d London	33 3	33 3
Barley Eng. Gaz., av. per cwt. (e) ..	35 1	35 1
Oats (e)	14 5	15 0
Maize, La Plata, 480 lb., f.o.b.	13 6	13 6
MEAT—Beef, per 8 lb.		
English long sides	4 11	4 11
Imported hinds	6 5	6 5
Mutton, per 8 lb.—English	4 7	4 7
Imported	4 7	4 7
Pork, English per 8 lb.	8 6	8 6
BACON—(per cwt.)—Wills, cut side ..	126 0	126 0
HAMS—(per cwt.)—Green	132 0	132 0
OTHER FOODS		
BUTTER (per cwt.)—All Grades	142 0	142 0
CHEESE (per cwt.)—		
Home Produced	99 2	99 2
Imported	99 2	99 2
COCOA (per cwt.)—		
Acra, g.f.	45 0	45 0
Grenada fine	81 0	81 0
COFFEE (per cwt.)—		
Santos, sup'r. c. & f.	Nom.	Nom.
Costa Rica, medium to good	190 0	190 0
EGGS (per 120)—English	15 0	15 0
LARD (per cwt.)—Imported	64 0	64 0
POTATOES (per cwt.)—		
English, old	5 0	5 0
SUGAR (per cwt.)—		
Centrifugal, 96%, prpt. shipm. c.i.f. U.K./Cont.	...	...
REFINED LONDON—		
Granulated, 2 cwt. bags	49 10	49 10
Granulated, 2 cwt. bags, domestic consumption	21 7	21 7
West India Crystallised	47 6	47 6
TOBACCO (per lb.)—		
Indian, stemmed and unstemmed ..	0 10	0 10
Rhodensis, stemmed and unstemmed ..	1 0	1 0
stemmed	3 0	3 2
COTTON (per lb.)—		
Raw, Mid-American	8.90	8.90
Giza, F.C.F.	11.55	11.55
Yarns, 36's Ring Beams	18.74	18.74
42's Cop Weft	18.52	18.52
60's Twist (Egyptian)	26.50	26.50
Cloth, per 100 yards	s. d.	s. d.
31 in. Printer, 64 x 64, 36's & 42's	35 0	35 0
Cambric Shirting, 32 in. 7½ x 60, 24's	47 4	47 4
TEXTILES—continued		
COTTON—continued		
Cloth, Overall Cloth, 38½ in. 52 x 50, 22's & 16's ..	51 8	51 8
Drill, 30 in., 80 x 46, 12's & 10's	74 1	74 1
FLAX (per ton)—		
Livonian ZK	Nom.	Nom.
Pernau HD	Nom.	Nom.
HEMP (per ton)—Manila, spot "J2"	Nom.	Nom.
JUTE (per ton)—		
Daisee 2/3 c.i.f. Dundee	33/10/0	32/15/0
Common 8 lb. cops (per spindle) ..	4 11	4 11
10/40 Hessians, per yd.	0 6.50	0 6.50
8/40 Hessians, per yd.	0 5.00	0 5.00
10/40 Calcutta Hessians, spot, 7½/40	51 0	51 0
100 yds.	39 6	39 0
Sisal (per ton)—African, spot —No. 1 delivered	34 0	34 0
WOOL (per lb.)—		
Lincoln wethers, washed	19½	19½
Selected blackfaced, greasy	14 14*	
Australian scrd. fleece 70's	37 37	
Cape scrd. average snow white	29½	29½
N.Z. scrd. 2nd pieces, 50-56's	24 24	
TOPS—		
64's warp	45 45	
56's super carded	39 39	
48's average carded	31 31	
44's prepared	29½ 29½	
MINERALS		
COAL (per ton)—		
Welsh, best Admiralty	31 7	31 7
Durham, best gas, f.o.b. Tyne	30 7½	30 7½
IRON AND STEEL (per ton)—		
Pig, Cleveland No. 3, d/d	128 0	128 0
Bars, Middlesbrough	312 6	312 6
Steel, rails, heavy	290 6	290 6
Tinplates (home, i.c. 14 x 20)	29 9	29 9
NICKEL (per ton)—		
Copper (c)—Electrolytic	62/0/0	62/0/0
Tin—Standard cash	275/0/0(f)	275/0/0(f)
Lead (d)—Soft, foreign, cash	25/0/0	25/0/0
Spelter (d)—G.O.B., spot	25/15/0	25/15/0
Aluminium, ingots and bars	110/0/0	110/0/0
Nickel, home delivery	190/0/0	190/0/0
Antimony, English, 99%	120/0/0	120/0/0
Wolfram, Empire	2/15/0	2/15/0
Rape, crude	5/0/0	5/0/0
Platinum, refined	9/0/0	9/0/0
Quicksilver	68/10/0	68/10/0
GOLD (per fine ounce)	168 0	168 0
SILVER (per ounce)—		
Cash	1 11½	1 11½
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(a)		
6-ton loads and upwards per ton	49 6	49 6
CHEMICALS		
Acid, Oxalic, net. per ton { 60/0/0 60/0/0		
Ammonia, Sulphate	65/0/0 65/0/0	
Nitrate of Soda	10/14/0 10/14/0	
Potash, Sulphate	18/15/0 18/15/0	
Soda Bicarb.	11/0/0 11/0/0	
Soda Crystals	5/7/6 5/7/6	
COPRA (per ton)—S.D. Straits c.i.f.	Nom.	Nom.
HIDES (per lb.)—		
Wet salted Australian, 40/50 lb. Queensland	0 7½	0 7½
Cape, J'burg Ord.	0 8½	0 8½
Dry Cakes, 18/20 lb. English & Welsh Market Hides—		
Best heavy ox and heifer	0 8½	0 8½
LEATHER (per lb.)—		
Sole Bends, 8/14 lb.	1 9	1 9
Shoulders	2 4	2 4
Insole Bellies	0 7½	0 7½
Dressing Hides	2 9	2 9
PETROLEUM PRODUCTS (per gal.)—		
Motor Spirit, England & Wales	1 10	1 10
(b) Kerosene, Burning Oil	0 11½	0 11½
(b) Automotive gas oil, in bulk, ex road tank wagons	1 7½	1 7½
Fuel oil, in bulk, England and Wales—		
Furnace	0 10½	0 10½
Diesel	0 11½	0 11½
ROBIN (per ton)—American	29 6	29 6
RUBBER (per lb.)—		
St. ribbed smoked sheet	1 1½	1 1½
SHELLAC (per ton)—TN Orange ..	200/0/0	200/0/0
TALLOW (per ton)—London Town ..	25/0/0	25/0/0
VEGETABLE OILS (per ton net)—		
Linseed, raw	46/10/0	46/10/0
Rape, crude	48/5/0	48/5/0
Cotton-seed, crude	31/2/6	31/2/6
Coconut, crude	28/2/6	28/2/6
Palm	20/15/0	20/15/0
Oil Seeds, Linseed—		
Bombay	27/15/0	27/15/0
Calcutta	23/10/0	23/10/0

(a) & 7s. per ton net paper bags, jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (b) Higher Pool prices in some zones. (c) Price is at buyer's premises. (d) Including import duty and delivery charges. (e) Average for weeks ended July 18 and July 25. (f) Price at which Ministry of Supply supplies consumers delivered works. * Home issue prices. Prices given from May 5 to July 23, 1942, were export prices.

COMPANY RESULTS (July 21 to August 4, 1942)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribu- tion	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Barclay, Perkins & Co.	Mar. 31	586,580	67,547	199,246	301,712	75,600	89,415	5	30,000	+ 4,231	406,309	165,444	34
Groves (John) & Sons	May 31	76,451	7,865	27,394	39,789	10,000	13,500	9	...	+ 3,894	60,580	23,142	7
Hancock (William) & Co.	May 31	250,819	...	51,809	96,168	24,000	25,740	10	...	+ 2,069	182,205	51,200	10
Mansfield Brewery Co.	Mar. 31	207,453	3,650	60,938	96,595	17,000	21,000	20	20,000	+ 2,938	182,011	50,492	20
Nuttall's Breweries	June 30	211,345	1,500	62,495	88,568	42,000	15,000	7½	...	+ 5,495	173,604	71,755	6
Ohlsson's Cape Breweries	Mar. 31	524,992	...	158,595	227,468	11,500	90,000	15	50,000	+ 7,095	395,905	135,196	15
Style & Winch	Dec. 31	442,574	...	91,289	193,902	21,897	68,750	27½	...	+ 642	353,636	82,868	17½
Threlfall's Brewery	June 30	438,869	36,091	278,497	592,279	26,518	247,500	18	...	+ 4,479	435,111	275,798	18
Coal, Iron and Steel													
Baird (William) & Co.	May 31	336,278	...	155,183	221,087	...	139,322	15	...	+ 15,861	367,371	191,505	15
Cassell Iron	Mar. 31	690,375	125,000	103,265	171,715	20,000	105,000	7½	...	+ 21,735	631,069	283,987	7
Fisher & Ludlow	Mar. 31	442,536	80,750	97,941	148,931	7,000	45,000	15	45,000	+ 941	377,354	100,457	15
Shipleigh Collieries	Mar. 31	415,218	34,000	117,195	182,731	11,049	36,000	6	69,265	+ 881	307,051	76,217	6
Financial, Land, &c.													
Bieckert's Brewery Investment	May 31	38,079	...	15,990	32,217	...	15,405	5	...	+ 585	37,379	17,069	5
Bolivian & General Fin Trust	Mar. 31	5,515	...	4,044	2,942	...	...	...	...	+ 5,522	3,817	2,600	NH
Central Commercial Properties	June 30	94,023	...	15,168	19,292	...	...	...	...	+ 8,500	9,905	17,733	NH
Gas Consolidation	May 31	52,005	...	17,571	29,195	5,722	12,228	5	...	...	53,953	21,918	5
Hudson's Bay Co.	Jan. 31	949,488	140,000	91,651	185,950	44,187	47,197	3	...	+ 267	703,520	60,054	1
Hudson's Bay Co., Land Account	Jan. 31	121,542	...	53,544	67,202	...	49,844	2½	...	+ 3,700	79,500	33,664	1½
Lewis (John) Partnership	April 30	1,994	...	Dr. 937	2,027	...	...	...	...	+ 937	11,407	9,487	NH
London County Properties	Mar. 31	360,616	...	39,755	278,665	28,655	...	...	10,000	+ 1,100	377,255	158,096	NH
New South Wales Land, &c.	Jan. 31	5,527	...	1,182	1,706	...	2,615	4	Dr. 1,000	+ 433	2,433	Dr. 2,311	4
Raglan Property Trust	Mar. 31	22,459	...	1,420	9,757	...	...	...	...	+ 1,420	19,090	Dr. 3,973	...
Scottish Tea & Rubber Trust	May 31	25,672	...	8,778	15,680	...	6,656	7½	...	+ 2,202	4,792	4,792	6
Trust & Mortgage of Iowa	Feb. 28	25,672	...	Dr. 334	...	...	...	...	...	+ 34	39,490	Dr. 13,387	NH
United Dominions Trust	June 30	Dr. 48,239	...	Dr. 24,488	18,547	11,250	...	...	...	+ 35,738	Dr. 69,658	Dr. 76,391	NH
Hotels, Restaurants, &c.													
Grand Hotel, Harrogate	Mar. 31	4,400	...	2,026	4,322	...	2,250	3	...	+ 224	4,900	2,256	3
Rubber													
Ayer Kuning (F.M.S.)	Dec. 31	20,919	2,517	5,801	29,526	...	3,500	5	...	+ 2,301	31,628	8,082	10
Bertam Consolidated	Mar. 31	62,322	...	12,748	33,859	...	...	...	...	+ 12,748	105,548	9,975	12½
Bessell	Dec. 31	...	766	8,189	13,427	...	...	...	...	+ 8,189	25,314	7,763	5
Brusar-Parak	Feb. 28	7,043	1,643	672	1,057	324	...	...	...	+ 348	5,184	2,836	5
Bukit Jupah	Dec. 31	25,032	...	4,940	8,659	...	...	...	...	+ 4,940	30,850	10,350	7½
Chota	Dec. 31	13,614	...	1,383	2,552	...	...	...	...	+ 1,383	15,604	4,706	6
Doloswella	Dec. 31	43,804	2,716	13,969	17,980	...	13,824	6	...	+ 145	29,173	14,282	6
Doranakande	Dec. 31	9,424	...	5,130	7,930	...	2,110	1d. p.s.	...	+ 3,020	9,884	8,788	2d. p.s.
Edinburgh	Nov. 30	15,308	104	2,302	5,406	...	...	...	...	+ 2,297	12,907	4,683	9
Emerald	Jan. 31	4,295	10,031	12,982	16,606	...	...	...	...	+ 5,189	46,326	19,688	9
Hewagum	Dec. 31	21,556	...	10,583	11,530	...	10,800	4½	...	+ 217	20,487	11,266	4½
Holyrood	Dec. 31	21,851	644	5,749	8,307	...	...	...	...	+ 5,749	27,005	11,321	12½
Java United	Dec. 31	3,516	...	Dr. 1,710	5,660	...	...	...	...	+ 1,710	4,112	Dr. 1,147	NH
Junun	Dec. 31	21,059	...	3,407	4,499	...	...	...	...	+ 3,407	19,312	5,257	8½
Merton	Dec. 31	1,773	...	1,703	4,701	...	...	...	...	+ 1,773	3,391	3,391	6½
Oriental	Dec. 31	12,290	...	7,708	14,704	...	...	...	...	+ 7,708	12,904	4,920	NH
Pahl	Dec. 31	4,295	...	1,708	1,708	...	...	...	...	+ 334	7,120	4,920	NH
Remfield	Dec. 31	18,020	...	Dr. 21,881	Dr. 20,414	...	...	...	...	+ 21,881	26,593	13,180	6
Sarawak	Mar. 31	6,996	...	657	3,131	...	...	...	...	+ 657	11,987	8,111	7
Sonosekar	Dec. 31	14,178	1,012	Dr. 1,871	130	...	...	...	...	+ 1,871	13,381	3,887	4
Strathmore	Dec. 31	22,345	2,483	4,530	10,272	...	1,699	3	...	+ 2,831	30,339	7,547	12
Sungei Choh	Dec. 31	19,798	...	8,114	9,260	...	...	...	...	+ 8,114	22,150	9,989	5
Shipping													
Cairn Line of Steamships	Dec. 31	45,927	10,000	28,677	38,393	...	12,000	4	20,000	+ 3,323	69,121	29,121	4
Shops and Stores													
Barratt (W.) & Co.	June 30	297,178	21,073	90,000	120,000	35,000	45,000	12	10,000	...	184,786	93,399	12
Kennards Limited	Feb. 10	55,728	...	37,178	78,024	13,125	19,750	11	...	+ 4,303	47,515	32,982	9
Tea													
Carayon (Sylhet)	Dec. 31	59,607	...	26,078	43,343	4,750	19,200	16	...	+ 2,128	44,935	30,865	16
Ceylon Proprietary	Dec. 31	23,684	...	9,277	11,291	1,306	7,650	8½	...	+ 321	13,511	7,255	7½
Craighead	Dec. 31	14,575	...	2,801	8,705	3,018	2,858	6	...	+ 375	11,397	3,488	6
Jettina Valley	Dec. 31	41,096	...	7,541	9,468	3,866	...	...	...	+ 607	32,493	6,601	6
Namding	Dec. 31	45,933	...	16,041	25,025	...	14,000	10	2,041	+ 2,041	24,180	16,548	10
Panawal	Dec. 31	8,135	...	1,973	2,172	525	1,326	6	...	+ 122	6,112	1,657	6
Panawatte	Dec. 31	33,636	...	11,314	13,007	...	10,498	5	...	+ 816	27,498	9,006	4
Upper Assam	Dec. 31	66,030	...	16,030	96,181	...	6,167	5	...	+ 9,863	29,266	12,266	10
Textiles													
Boase Spinning	Mar. 31	16,171	...	16,171	29,299	3,500	5,880	4½	4,700	+ 2,091	15,065	15,065	7
Bulmer & Lumb	April 30	23,517	5,196	10,651	19,890	...	15,750	10	...	+ 1,977	19,274	1,052	10
Kelsall & Kemp	June 30	59,099	22,787	97,625	15,867	8,562	7,760	7	...	+ 2,085	61,012	36,725	10
Tootal Broadhurst Lee	June 30	274,363	...	82,241	186,297	10,000	55,364	12½	...	+ 16,877	221,184	70,036	12½
Trusts													
Ailsa Investment Trust	May 31	36,446	...	16,418	33,780	11,719	3,906	2½	...	+ 793	39,368	18,849	3
British Industries & General Invest.	June 30	14,768	...	10,243	19,875	7,500	...	...	5,000	+ 2,257	15,823	10,881	2
McDougalls Trust	June 30	205,083	...	201,991	243,785	50,000	149,867	10	...	+ 2,124	204,143	201,340	19
South British Investment	June 30	2,785	...	2,785	2,806	...	3,375	4½	Dr. 600	+ 10	2,964	2,964	4½
Third Scottish American	July 1	90,390	...	30,008	43,785	6,200	19,633	19	4,000	+ 175	92,376	32,169	19
Waterworks													
Cleveland Water Co.	June 30*	9,872	...	4,032	15,323	...	3,400	10 & 7	...	+ 632	10,404	4,069	10 & 7
Other Companies													
Benn Bros.	June 30	89,887	200	30,482	42,385	4,805	23,585a	15	...	+ 2,092	80,205	26,827a	12½
British Glues & Chemicals	April 30	98,577	...	64,927	98,249	47,250	17,500	10	...	+ 177	101,969	65,313	10
Country Life Limited	Mar. 31	10,883	...	9,258	31,795	5,000	...	...	...	+ 3,758	11,994	4,994	NH
Evans (William) & Co. (Manchester)	April 30	31,923	4,938	10,962	28,428	3,561	7,500	10	...	+ 349	39,953	12,250	10
"Financial Times"	Nov. 30	4,909	...	3,855	25,803	...	1,217	5	...	+ 6,296	Dr. 454	Dr. 454	NH
Glamorgan Wagon	Nov. 30	4,909	...	3,855	25,803	...	1,217	5	...	+ 6,296	6,795	5,511	5
Groceries Railway Carriage	May 31	167,869	25,146	30,652	45,055	...	19,688	7½	10,000	+ 974	113,015	29,229	7½
Hills (F.) & Sons	Mar. 31	91,074	23,527	9,142	11,867	...	9,375	12½	...	+ 233	50,647	8,321	10
Houndsditch Warehouse	Dec. 31	182,749	3,477	115,405	197,455	40,000	64,000	8	...	+ 11,405	196,804	120,013	8
Humphreys Limited	Nov. 30	116,764	381	44,723	100,433	5,500	10,000	10	...	+ 29,223	78,199	27,370	10
Jones' Sewing Machines	May 31	2,667	...	2,467	13,574	2,950	2,700	6	...	+ 2,485	12,900	6,200	6
Lovell & Christmas	June 6	188,825	...	217,809	259,072	32,000	170,000	50	10,000	+ 5,329	251,113	203,697	50
McDougalls	Dec. 31	27,003	...	84,026	222,181	60,000	20,000	10	...	+ 4,026	156,134	85,229	10
Mackintosh (John) & Sons	Mar. 31	579,453	...	210,369	351,815	34,622	130,265	17½	...	+ 45,482	575,362	199,705	17½
Millars' Timber & Trading	Dec. 31	92,907	10,000	80,998	156,110	55,250	17,000	7½	...	+ 8,748	86,155	73,198	5
North Glamorgan Wagon	Mar. 31	4,151	...	3,192	25,443	...	911	5	...	+ 2,281	5,245	3,921	12½
Owen (Thomas) & Co.	Mar. 31	110,388	21,472	64,504	157,938	12,255	15,625	12½	40,000	+ 3,376	104,027	57,917	12½
Parkland Manufacturing	Feb. 28	51,936	3,069	34,591	43,793	...	29,700	13½	5,000	+ 109	62,790	32,582	13½
Pearson (C. Arthur)	Mar. 31	39,155	...	32,809	17,862	...	13,750	19,687	...	+ 633	59,453	43,153	7½
Richard & Crispe	Mar. 31	109,149	20,616	13,288	36,573	...	20,000	10	...	+ 20	51,562	29,307	98
Scottish Machine Tool	Dec. 31	19,172	2,144	4,540	7,197	...	1,906	2½	2,000	+ 634	24,276	8,745	7½
Selangor Oil Palm	Mar. 31	5,713	...	5,214	6,791	4,000	1,200	12	...	+ 14	3,725	5,191	NH
Sherley (A. F.) & Co.	Dec. 31	40,387	10,563	28,105	40,116	7,800	7,500						

(Continued from page 188.)

slaughter and allied offences, 91; supplying or obtaining foodstuffs without correct authority, 967; false declaration, 214; trading without licence, 151; and other offences, 438 convictions. The penalties inflicted were: 176 cases dismissed under the Probation of Offenders Act; fines of £1 and under were inflicted in 1,066 cases; above £1 and up to £5 in 1,058 cases; above £5 and up to £10 in 205 cases; above £10 and up to £20 in 85 cases. In 119 cases fines exceeded £20, and in 29 cases sentences of imprisonment were imposed. The percentage of successful prosecutions was the lowest since September, 1941.

NUMBER OF FOOD PROSECUTIONS

	Prosecutions	Number Successful	Percentage Successful
Oct., 1939-Dec., 1940	10,598	10,043	94.8
Total 1941.....	29,329	27,475	93.7
June 1941.....	2,762	2,627	95.1
July ".....	2,846	2,679	94.1
August ".....	2,524	2,336	92.5
September ".....	2,501	2,280	91.2
October ".....	3,130	2,887	92.2
November ".....	2,400	2,228	92.8
December ".....	2,955	2,752	93.1
January, 1942.....	2,420	2,218	91.7
February ".....	2,670	2,535	94.9
March ".....	2,366	2,211	93.5
April ".....	2,487	2,323	93.1
May ".....	3,069	2,905	94.7
June ".....	2,983	2,738	91.8

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

	July 30, 1942	July 31, 1942	Aug. 3, 1942	Aug. 4, 1942	Aug. 5, 1942
Crops.....	117.8	117.8	Bank Holiday	117.8	117.8
Raw materials.....	172.7	172.7		172.7	172.7
Complete Index.....	142.7	142.7		142.7	142.7
	Mar. 31, 1937*	Aug. 31, 1939	Aug. 5, 1941	July 6, 1942	July 29, 1942
Crops.....	147.9	92.2	113.3	117.8	117.8
Raw materials.....	207.3	122.9	170.0	172.7	172.7
Complete Index.....	175.1	106.4	138.8	142.7	142.7

* Highest level reached during 1932-37 recovery.

THE ECONOMIST

ESTABLISHED 1843

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ONE SHILLING

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID-UP) - £3,000,000
RESERVE FUND - £3,000,000

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AFFILIATED BANK IN INDIA

THE ALLAHABAD BANK LTD., with 15 Branches & 30 Sub-Agencies

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Deposits for Fixed Periods or repayable at call or at short notice are received at rates which may be ascertained on application.

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Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

THE HONGKONG AND SHANGHAI BANKING CORPORATION

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

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

Head Office, HONGKONG,

temporarily transferred to

LONDON OFFICE, 9, Gracechurch Street, E.C.3.
Acting Chief Manager: A. Moss.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
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Full particulars may be had on application.

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Incorporated with Limited Liability in New Zealand by Act of General Assembly, 29th July, 1861.

Head Office: WELLINGTON, NEW ZEALAND

H. R. H. CHALMERS, General Manager.

★ Branches and Agencies at over 220 points in New Zealand and at Melbourne, Victoria; Sydney, New South Wales; Suva, Fiji; Apia, Samoa.	Authorised Capital £7,031,250 Paid-up Capital £6,328,125 Reserve Fund and Undivided Profits, 1941 £3,967,500 Aggregate Assets at 31st March, 1941 £55,616,460
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- ★ Issues Drafts and Letters of Credit.
- ★ Makes Telegraphic Transfers.
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In the Balance

THERE was no doubt that this summer, the third of the war, would be tempestuous; the storm is now near its height. The Russians are still retreating; there is disorder in India; in Africa the Germans are lodged little more than a day's journey from the Nile; in Europe, watching grimly for deliverance, the deadlock is unbroken. The only place where any headway is being made by the Allies, apart from the blows struck from the air against Germany, is in the Pacific, where the Americans are striking at the rim of Japanese power.

There is fear among the people that the Allies may be too late into action. Only a few deny that action must wait upon the deployment of men and machines; and those who say that the rulers of this country will not move because they do not like Russia speak what they know to be lies. But by no means all are sure that the minds and methods in charge of Allied policy are fitted to devise the right deeds and time them rightly. There is, in brief, a mood of frustration, born of impatience—and born, too, of remembrance of the mentality which, in almost every one of the United Nations for nearly ten years, has invited disaster.

Two years ago, Mr Churchill spoke of this country's finest hour. Today, 1940 glows through the darkness of doubt. In that year appeasement was ended; all persons and property were placed by law at the disposal of the

nation; Mr Churchill's call for blood, toil, tears and sweat did not go unheeded; every man, woman and child in this island thought and acted "no surrender." The day and the war were saved. The question now, two years later, is whether the promises of 1940 have been fulfilled. Materially, no doubt they have been. Britain is incomparably stronger. The industrial vigour of the United States is in the fight. With unequalled valour, the Russians are holding the fort of freedom against grievous blows. Yet the Allies are still not strong enough in any one place to seize the chance of victory. The question still remains whether, in spirit and in approach, the pledges of 1940 have been met. Sometimes it seems that the mood of those dogged, dangerous days has been lost, that the virtue which was disclosed in this nation then has waned again. A few days ago, the President of the United States said that, materially, his people were only ankle-deep in war. Spiritually, is this charge true of Britain? Sir Stafford Cripps, back from Russia, said that the people of this country gave him the impression of being still only spectators in the struggle. Visitors from other countries have been vastly impressed by the hard work which is going on in Britain; but they have had similar doubts.

Nor are these doubts confined to visitors. At the back of the frustration which finds expression in anxiety about

the next months of the war, there is a sense among the British people that there are still brakes upon the wheel, that the defensive mentality of 1939 has not been wholly discarded, that the Maginot-mindedness, which would wait for certainty, still lingers. Two recent books* are symptomatic. One, by Nicholas Davenport, is called significantly "Vested Interests or Common Pool?" It complains that the fervour and efficiency of war making are lost by the system of government by bargaining and exhortation; it calls for a state lease during the war of all capital, and for state pay and compensation for every individual and interest in the war economy. The other book, by J. P. W. Mallalieu, attacks the Civil Service. It is called "Passed to You, Please," and indicts the checks and balances which impede administrative action. Civil servants, it claims, are so responsible to Parliament for their mistakes, to the Treasury for their extravagance and to the holders of property for their inroads, that they are inhibited from action; they are more inclined to shun responsibility than to act. The argument of these books is an illustration in particular of the general uneasiness which is abroad, an uneasiness which is the soil from which new political movements are striving to spring. Since 1940, a cloud of doubt has settled down like the dust after a scatter of wind. In varying accents, according to the closeness of the complainant to the conduct of the war, the questions are being asked: Are we fit to win? Are we efficient enough to win? Inevitably, in this mood, there tend to be signs of scepticism at the higher and middle levels of thought and apathy below.

All this can be, and is, vastly exaggerated. Amazing results, in terms of war output and mobilisation, have been achieved since 1940. The unity which has been achieved in British politics is a standing example to the whole world and, particularly perhaps, to the politicians of the United States. The point is that production and hold-fast defence are no longer the most pressing problems. The problem now is action, the deployment of Allied strength in the right amount at the right time and in the right place. The emphasis is shifted from organising output to the military matters of strategy, tactics and logistics. The question is whether there are brakes on the wheel here, too—not whether the politicians agree, as they most certainly do, but whether what they agree upon is likely to be the right policy.

Lately there have been many complaints of lack of unity—lack of unity between land, sea and air forces; lack of unity between Britain, the United States and Russia in the shaping of strategy and equipment; lack of unity between three fronts, western, central and eastern. Again there has been vast exaggeration. That Mr Churchill, President Roosevelt and Premier Stalin are personally agreed about the strategic objectives to be sought is beyond doubt. The degree of success in co-operation between Britain and the United States has not been equalled by any alliance in history. If there are flaws in one country or the other in the execution of agreed plans, in the delivery of goods, or in the speed of military movement, it is due to inexperience, incompetence, or misguided improvisation, not to any discord or ill-will. If there is a lack of standardisation in the weapons and equipment of the three Great Powers, it is because of decisions which were taken in the past,

* Both published by Gollancz.

THE WORLD OVERSEAS

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when neither the United States nor Russia were at war. The real question is whether, in the background of decision, there still lingers a defensive and divided mentality which will prevent action from being taken in time to stem the aggressors.

Popular sentiment, which puts these queries, is as shrewd in 1942 as it was in 1940. Then the call was to hold out, and it was done. Now the call is to "get on with it." Will this be done—in time? Plainly there is need for the makers of the Allied war effort to go into the sternest spiritual training. Plainly there is need for a psychological purge, to root out every obstacle of attitude which threatens to impede success. In this sense, although his radical suggestions invite a cautious scepticism, Mr Davenport is right: the time has come in 1942 to make the socialisation of all persons and property a reality, wherever the war effort requires; to remove every vested obstacle which may remain, in fact or in attitude; to make impossible, that is, the scandalous fiascos which have marked the Government's efforts to deal effectively, during wartime, with such problems as coal and shopkeeping. Mr Mallalieu, too, is right. It is wrong and dangerous, as a committee of the Liberal party has just pointed out, that the Civil Service should tend to be held in public contempt; within its self-imposed bondage, the Civil Service is as efficient as any in the world. But the bonds are tight to choking point. The task is to make the Service work with as full effectiveness as its heritage of exclusive recruitment and narrow training will allow; to bring in young men of talent and experience to take charge of policy; to vest all civil servants of ability with power to act and with full responsibility for their actions; and to cut out all needless forms and procedure.

The problem now, in the decisive days of the war, is to create the machinery of action and the machinery of attack; to make sure of the change of heart and of habits which is indispensable if the war is to be won. In a single week all this could be done—above all by Mr Churchill, who commands as no other man the following of the people. He could remove the last vestiges of a mere social and political bargain from the ways and make-up of his Government. He could settle at a stroke the problem of coal output and fuel consumption. He could institute, by his own prestige, a real wages policy. He could superimpose upon all war work the principle of compensation for unearned losses. He could make every employer and every worker, not their own self-seeker, but the agent of the nation in the same sense as every soldier. Above all he could weld the fighting forces of the Crown into a single entity; he could create the Combined Command of all three Services, which is called for, to make triply certain that decisive air-power is never absent from any item of training, from any programme of equipment, from any manoeuvre or from any operation.

The task goes beyond these frontiers. The problem of deployment is a problem of alliance. The first aim is to insist upon pooling as the be-all and end-all of all Allied co-operation. Only if the right minds and the right methods are at work in each of the United Nations will success in unison be achieved; if the Civil Service, the trade unions, industrialists and farmers here must waive all trace of obstructionism, so must all interested groups, political, economic or propagandist, in all the other Allied countries. The relationship is very good already. The problem is to make good better at every point. There must be frankness between friends. The greatest need to raise up free hearts is not assurances of victory, but assurances of efficiency in planning and in action.

It is right that these things should be asked for, if only because suffering and starving Europe must not be betrayed at the crucial hour. At bottom, it is not a material problem, but a moral one. The need is for men of faith, of skill and of vision, acting swiftly together. There is no time to spare or to waste. This hour can be the finest of all—finer even than the lone-handed stand of Britain two years ago. It will need to be.

Civil Disobedience

THERE have been ugly disorders in India this week, but no revolt or breakdown. Civil disobedience in its first burst has been planless and scattered. Most violence has been in Bombay, though there has been one savage outbreak in New Delhi. It is too early to strike a balance. The danger of spreading violence is not past; riots and shooting are no aid to the war effort or to civil peace. But, in its first stages, at least, this is not a great popular movement of passive resistance but the disorderly violence of an unruly minority. It is reported to be "completely in hand."

It is claimed that civil disobedience was hamstrung before it started by the prompt arrest and complete segregation of all its leaders. This surely proves too little. Mr Gandhi and his colleagues expected arrest; they must have planned their movement with the knowledge that they themselves would be put away. The real reason for the ragged tempo of civil disobedience this time appears to be that the heart of the rank and file is not in it. The intended blaze has only spluttered because, it seems, there is no mass support for political incendiarism.

Some people in this country have said that the arrest of Mr Gandhi and his colleagues was a blunder. They suggest that to make these men martyrs has only added fuel to the feeble flames. These arguments are disingenuous. They come from men who, like most Englishmen, cannot easily stomach the strong arm. Actually, the Government of India could have done no less. They have in trust the stake of all the United Nations in the defence of India. They have the duty of every government to maintain law and order; and Mr Gandhi will only be a martyr in his Poona palace if he decides himself to fast "unto death."

It is, of course, true that repression is not enough. It is the knowledge of the chances which have been lost in the past, by the British no less than by the Indians, which disturbs the critics of repression now. They have in mind the might-have-been, the accord which might, they believe, have been reached in 1939 or 1940, if the Indians could have been consulted about the war they were brought into—and if a great gulf had not widened for decades between the two races in India. It would be foolish to disguise the omissions and stupidities of the past, but it would be still more fatal to allow these unforgotten faults to hide the need of the moment, which is simply to save Indian life and work in wartime from deliberate wrecking.

Nevertheless, the need for some programme more positive than the putting down of disorder is unmistakable. The call for Britain to quit India is widespread, if resistance is not. It is wrong to suppose that Congress is

playing a lone hand in its bid for independence. Mr. Jinnah, of the Moslem League, has made this quite plain.

Indian Moslems have not the slightest objection to make if the British withdraw from India today. What they fear is that the British may commit the blunder of appeasing Congress at the expense of Moslem India.

Mr Jinnah opposes the Congress proposals as a challenge to Moslem India rather than as a challenge to British rule. He is the Ulsterman waiting on the sidelines for partition. The President of the Hindu Mahasabha, the party of orthodox Hinduism, also made clear a few days ago that he agreed with the "quit India" slogan.

If Congress were to make a declaration upholding the demands of the Hindu Mahasabha, the Hindu Mahasabha would support Congress in any movement launched to attain the freedom of the country.

The problem of India remains, whatever success or failure the present movement may gain. Congress was not alone in its refusal of the Cripps offer. The position is still that all politically conscious Indians earnestly desire early independence, but cannot agree among themselves. Nor, in any of the United Nations, is there any wish to keep the Indian people in unwanted bondage. This is above all true of British opinion, which would back no effort to rivet chains upon India; the Cripps offer was a clear proof to the eyes of all the world.

Where is the solution to be found, as found it must be, if disorder and disquiet are not to be the chronic lot of India? It has been suggested by liberals and by moderates, in India and outside, that the solution is still to be found round the conference table. But this approach has only lately been tried, with utter failure, by Sir Stafford Cripps, by Mr Rajagopalachari and by Sir Tej Saprú. The way of agreement has been completely blocked by the Congress demand, in effect, for total Congress rule and by the Moslem demand for complete partition.

Again, though civil disobedience must be put down to prevent civil war, it would be disastrous to put down civil disobedience by means of civil war. To call in, say, the Moslem League to aid actively in the campaign for law and order would invite unknown dangers. The Government must win back civil peace itself, while the Moslems and other millions watch in quiet. Then the search must be resumed for an agreed basis of a free government for India. There can be no going back.

It is said that, before their seizure, the Congress leaders intended to appeal to President Roosevelt, to General Chiang Kai-shek and to Premier Stalin. A summons might well still go out, this time from Mr Churchill. American opinion sees the need for the firm action which has been taken, but is deeply anxious about the upshot. Chinese

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opinion is alarmed about the arrests and repressive measures. The views of Russia have still to be made clear. In the context of peace as well as war, this is the affair of all the United Nations. It is an unalterable fact that there is no longer any wish in Britain to claim a proprietary right in the destiny of India.

If a conference could be called, with the international authority of all the leaders of the free world, to find a viable road for Indian freedom, once the Congress challenge has been defeated, a new hope might dawn. An agreed India, with civil disobedience put down relent-

lessly and civil war avoided, might again be offered a free place in the United Nations to be the base and bastion of eastern freedom. But agreement may not be possible. Too much history may lie between the contestants. There may be no prompt solution. If so, order may return, and the war effort may go on, as it must do; but there will only be distrust and resentment between the unhappy Indian people and their reluctant rulers. It would be a defeat for Allied—and Indian—statesmanship ranking with the worst that the Axis can do by force of arms.

Women for Industry

THE substitution of women for men in industry is still urgent. It is the last lap of the total mobilisation of manpower. The women are available. The pressing problems are training, which the Minister of Labour has called "the greatest problem we have had to face"; and payment, which means, broadly, the relation between men's and women's wages.

The problem of payment was thrashed out in the last war, when the principle of "the rate for the job" was laid down (if not always applied in practice). In this war, the principle of equal pay for women doing equal work with men has been widely accepted, and it is only a question of applying it fully and effectively. The Ministry of Labour has not set a good example; it assesses the value of women trainees over 21 at 43s., rising to 49s. 6d., compared with 65s. 6d., rising to 75s. 6d., for men over 21, though both are engaged on the same courses and reach the same standards of proficiency. The Amalgamated Engineering Union and the Engineering Employers Federation agreed, a long time ago, that if, after a period of 32 weeks, women are able to carry out the men's work without additional supervision or assistance, they should be paid the full men's rate, and those who come in already qualified to do men's work should receive the full rate immediately. On railways and in passenger transport, women receive the full men's rate and bonus after a probationary period; a London bus conductress may earn up to 99s. a week—the male conductor's rate—after a qualifying period. Women employed on skilled men's work in Royal Ordnance engineering factories are paid the full men's rate, if they work without supervision or assistance, and from 75–85 per cent of the rate with supervision or assistance.

The recognition in these agreements of the principle of equal payment is an important achievement. But, in practice, its application is not easy. If "de-skilling," that is, the breaking down of processes which require skilled workers into simpler processes which can be done by less skilled workers, is introduced, it is difficult to determine what proportion of the skilled man's job is represented when the work is split up. New processes are constantly being introduced for which no rate is laid down; and it has to be decided what the rate would be if the work were performed by a skilled man. The bargaining power of women, especially of new entrants to industry, is weak and they may therefore tend to be awarded lower rates than a man employed on the same job could command; as they are not admitted to the AEU, the interests of women engineers are not directly catered for. The anomalous position arises that a woman may be doing a job of engineering which she has performed in peacetime and for which she is paid the women's rate, while a war-time entrant may replace a man on a similar and no more skilled job and be paid the higher rate, because it was previously performed by a man. It is to close this gap that an increase in the women's minimum rate in engineering from 43s. to 55s. a week, about 85 per cent of the appropriate men's rate, is being sought.

An alternative to "de-skilling" is surely to improve the skill of women recruits. There are very few skilled jobs which women, given training and experience, cannot perform, apart from exceptionally heavy work; indeed in

some, which require exceptional lightness of touch, they may be more skilled than men. In the industries covered by the Iron and Steel Control, 13½ per cent of the employees are now women, compared with 3-4 per cent before the war. They are engaged on 954 specific tasks, many of which were previously thought unsuitable for women. The experience of a firm engaged in the assembly of hydraulic aircraft equipment has been that

women can be trained effectively and speedily for a wide variety of accurate machining and for intricate assembly. Trainees are now responsible for a high proportion of the firm's output, and their contribution is on a continually increasing scale.

The proportion of women to the total labour force in Royal Ordnance Factories is 60 per cent, and in the engineering ordnance factories about 20-25 per cent. The railways have taken on some 50,000 women since the beginning of the war, not only as porters, ticket collectors and cleaners, but also as engineers, linesmen and signallers. Similarly, in the area covered by the London Passenger Transport Board, where 10,800 women have replaced men, many are employed in the engineering and maintenance grades.

The rate at which women can be substituted for men must largely depend upon the rate at which they can be trained. Miss Megan Lloyd George, a member of the Ministry of Labour's Women's Consultative Committee, was perhaps unduly pessimistic when she said last October that it would need "a thirty-year war to produce the requisite number of skilled women." But, though the situation has been greatly improved since that date, the training and upgrading of women is still lagging behind the potential supply of women. Some training is done in Government training centres (recently reduced in number to 24) and in the emergency training establishments organised by technical colleges. The bulk of the training, however, has to be provided in the factories. There is much to be said in favour of training on the job, as opposed to pre-training; it accustoms new entrants to factory methods and conditions and can be more satisfactory from the point of view of individual employers. The Government, under the Essential Work Order, has powers to compel employers to produce adequate training schemes. But these powers do not seem to have been effectively exercised, and the slowness of employers to make arrangements for training has been the subject of criticism by the Commons Select Committee. The AEU production report remarked:

It is evident that there is a resistance to regarding the question (of training and upgrading) as vital to production.

More recently, the Select Committee criticised the slow rate at which dilution was taking place in Royal Ordnance factories and found that "practically no action has been taken" by the authorities, who continued to recruit fresh labour rather than utilise their existing forces. It is true that many employers have neither the facilities nor the time to train women. But they also seem to fear the possible consequences after the war of upgrading women; and the idea that "as soon as a girl becomes any use she goes and gets married, so why waste time training her?" is difficult to kill.

When it comes to training part-time workers, an urgent need, the reluctance is even more pronounced. More powers should almost certainly be given to Labour Supply Officers to see that new labour is being adequately trained in the factories; that upgrading is being consistently pursued; that firms which have facilities beyond their immediate requirements should undertake training for outside firms; and that trainees from Government

centres are used in the capacities for which they have been trained.

The machinery for training is there, the potential skill is there, and the need for skilled women workers is there. It is a question of relating these three factors to one another, to achieve the maximum release of men for the forces and the most efficient utilisation of woman-power.

Underground Politics

THE European underground movement against the common enemy is a fact; its growth and organisation were discussed in an article in *The Economist* on June 13th. The overt rôle of the Churches in resistance was outlined on April 18th. The bearing of Europe's uprising upon military possibilities on the continent is plain. What is less plain, and perhaps less definable, is its ideological aspect. The objectives of the churchmen who are standing fast are clear enough. But what are the ideals that inspire Underground Europe? What are the aims to which its efforts are directed?

In each of the occupied countries, it has been the Left that has had to bear the brunt of the struggle. Liberals, democrats, socialists and trade unionists have everywhere been—by vocation as it were—the main enemies of the Third Reich. It was on their organisations, on their programmes and political traditions that National Socialism declared war, before it set out to destroy, no longer this or that particular ideology, but whole nations. Without the workers, the members of labour organisations and trade unions, no mass resistance, and certainly no successful industrial sabotage, are conceivable.

Yet there is nothing especially Left in the immediate aim of all these movements—the restoration of national independence. The fact is that the Left in Europe now makes the main contribution in a sphere that used traditionally to be regarded as the domain of the nationalist Right—the maintenance of the spirit of national unity and the stirring of national consciousness. And it was actually among the circles of the conservative and nationalist Right that the chief hotbeds of defeatism and quisling intrigues were found. But the underground movement embraces a range of ideals and aspirations very much wider than can be reduced to any common denominator, apart from the common struggle for national freedom. Even spokesmen of quasi-fascist movements have found their place in Underground Europe side by side with liberals, socialists and communists. National interests have, for a time, pushed sectional ideals aside. The kinship of some native political groups in Belgium, Holland and Poland with the principles of National Socialism has not prevented them from sharing in the resistance to the subjugation of their peoples by German National Socialist conquest. The Belgian pro-fascist *Légion Nationale*, which was, for a time, connected with Degrelle's group, has been banned by the Germans. In Holland, the *Nederlandsche Unie* has come into conflict with the invaders. Extreme nationalism of the Right has its voice, beside progressive and democratic views, in the Polish underground press. The De Gaullist movement in France includes people from all political quarters—Left and Right.

Ideological divisions have, in fact, been blurred and hidden by the fog of Nazi cruelty and oppression. And this lack of an ideological backbone accounts for the strength and weakness alike of the underground movement. It has helped to mobilise the sentiments of the widest possible range of social groups in invaded nations against the invaders, when many might have been scared away by political or social dogma. On the other hand, it has perhaps hampered the crystallisation of any distinct ideas or programmes for the future of Europe.

This is not a revolution committed to the overthrow of a legally established, and psychologically approved, social order. In this, it differs from most of its forerunners. Here is not the unknown revolutionary rising from the

bottom of the social pyramid to lead the peoples of Europe to revolt. This time the summons to revolt comes from the recognised political élite of pre-war Europe, driven to use "revolutionary" methods for "moderate" political purposes. It is this contradiction that has brought together both revolutionaries and moderates in a common movement. No less a person than Seyss Inquart has acknowledged it.

In Dutch political life, [said Seyss Inquart in a press interview] there are only two radical groups left which side with the former Queen and the Bolshevik Allies. These are the Orange Bolsheviks, as they are called by the healthy-minded Dutch. They are mostly former Social Democrats and Roman Catholics. The German authorities strongly oppose them, but the people are nevertheless sometimes influenced by these agitators.

The anti-German coalition in Holland ranges from the close adherents of the Dutch dynasty through Social Democrats and Roman Catholics to Communists. Another German source, *Die Donauzeitung*, affords a glimpse into the social composition of the anti-Nazi front in Jugoslavia:

A regular revolt was organised, and priests, fugitive ex-officers, and independent Chetniki fought together. The peasants of the whole region were mobilised into companies commanded by well-known Communists or other elements capable of imparting instruction such as lawyers, teachers, priests or ex-officers.

Similar passages could be quoted about almost every occupied country. In a great many of the descriptions, two figures stand out: the ex-officer and the Communist or Left-winger. The former, because of the destruction of his national army, has become *déclassé*. By tradition, social upbringing and cast of thought, he is conservative and nationalist. He has brought into the underground movement his capacity for organisation and his military skill. Since June last year, his odd ally, the Communist, has become very active. His propaganda, like the ex-officer's, has remained within the limits of a demand for national restoration. In eastern and southern Europe, the Communist slogan has been pan-Slav solidarity; in western Europe, restoration rather than revolution has been the cry.

It might be inferred from all this that the aims of Underground Europe are confined to a return to the position as it was before the war. In a sense, this is true. Hitler's New Order has grown old and decadent within the short spell of two years. In the light of its dismal lessons, the old order of national sovereignties and parliamentary democracies, with all their faults and defaults, probably looks to most European peoples like a lost paradise. Ideals that seemed to be fading amidst the pre-war political *mêlée* have been rehabilitated by the conqueror's senseless derision and heavy-handed changes. The following words, taken from a description of the ideological outlook of the Norwegian Students' Movement, are perhaps typical:

These old and outworn ideals—ideals of liberty, humanity and democracy—used to appear all too often as empty phrases. To-day, they have got life in them as never before. Norwegian students to-day feel it a pleasure to rally around them. The weapons of the spirit are in our possession; no one can take them from us.

The result may be a disposition to hallow the recent past indiscriminately. An aureole may come to surround both the progressive and the retrograde features of European social life as it was before the war. The danger,

of course, is a revival of an unsound and perilous nationalism all over Europe. The German New Order has destroyed every practical trace of national independence; the reaction to this may well be to restore again the ideal of absolute national sovereignty. There are indeed signs that this tendency is growing in strength. The concept of some federal or international organisation of European nations certainly has not struck deep enough roots in Underground Europe to overcome the older nationalist outlook. The programme outlined in the Atlantic Charter has no doubt aroused high hopes in the occupied countries; but the need for some more concrete scheme for post-war organisation seems to be felt everywhere. Inevitably, nationalism remains the most tangible ambition among the enslaved nations.

But against the danger of revived nationalism another and more hopeful tendency may be set. The disastrous

consequences of national divisions have become too plain to be easily effaced from the memory of Europe. In the age of the tank and the bomber, national seclusion has provided no national security. Common suffering, too, tends to unite the suffering nations. Nobody can foresee yet which tendency will prove the stronger in post-war Europe. Much will depend on the direction in which the influence of the other Allied nations, which have not known the taste of foreign domination, is to be exerted. The restoration of independence to all the oppressed nations is indeed a pre-condition of any rational and stable peace settlement. But the pre-condition is not the settlement. The re-establishment of national states can be the one step back which may enable the nations of Europe to make two steps forward—towards some solid and coherent international organisation. It should be a process of *reculer pour mieux sauter*.

NOTES OF THE WEEK

Strategical Dilemma

The battle of the Northern Caucasus has passed the decisive stage. The German columns are now fanning out west and east to complete the conquest. The main objective in the west now is the naval base at Novorossiisk, which seems hardly tenable, though the approaches to Novorossiisk are a relatively difficult terrain for the German tanks. The surrender of Novorossiisk and Tuapse would force the Soviet Navy to seek refuge in the Transcaucasian ports to the south. It would consolidate German control over the Black Sea. The drive in the east is directed towards the Grozny oil fields, the Terek steppe and the port of Makhach Kala; the capture of Makhach Kala would provide the Germans with their first foothold on the Caspian coast. But, in spite of its lightning victories, the German High Command is confronted with the difficult decision where to strike next. A drive across the Caucasus mountains would involve much precious time and it would pin down for a time a substantial section of the Luftwaffe. Reports speak of a concentration of Alpine divisions experienced in the Greek campaign. But the Russians are vastly better prepared to defend the few Caucasian gorges and passes, particularly the military road to Tiflis, than were the Greeks when they were faced with a similar danger. And even a successful conquest of Transcaucasia, grievous as it might be for the Russian oil position, would still fail to deliver the knock out blow to Marshal Timoshenko's forces on the Volga. The next phase of the campaign is most likely to hinge on the Stalingrad-Astrakhan line. The latest moves on the approaches to Stalingrad are a prelude to one of the most tremendous battles of the war. Neither side will be sparing in men and material to gain or keep this key position. The German advances from Kletskaya in the north and from Kotelnikov in the south have so far been brought to a standstill by the stubborn Russian defence. But the most critical phase of the battle is still ahead. It will be reached when the Germans are able to move up reinforcements from the Northern Caucasus or from elsewhere. Some Russian initiative has been reported from the Voronezh and Rzhev regions. The successes scored have been local and limited; they are still short of the large-scale diversion needed to relieve pressure on the southern front.

Clearing the Way

The extent of success gained by Allied forces attacking the Tulagi area of the Solomon Islands remains in doubt. Although the attack was first launched on August 8th, heavy fighting is still going on. All that is known for certain is that there have been naval and air losses on both sides; that footholds have been gained on three islands and that the Japanese have put up stiff resistance since the first surprise passed. Premature optimism in this, as in all other campaigns, is unhelpful. But it is not too early to realise the very timely and vital nature of this Allied move. Australian opinion has been increasingly alarmed by the Japanese occupation of Papua, the northern coast of New Guinea and the islands between New Guinea and Timor. The possession of these areas had enabled a threatening offensive arc to be drawn round the northern shores of Australia, while bombing

attacks have recently been extended as far south as Port Hedland on the west and Townsville on the east. The Allied attack on the Solomon islands is designed, first, to arrest the extension of this menacing semi-circle, and, secondly, to place a strong Allied base between it and the Fiji Islands to the south-east, which lie on the American-Australian supply route. The simultaneous bombardment of Kiska in the Aleutians was not necessarily jointly conceived; American bombardments of Japanese bases on the USA-USSR supply route have been the object of intermittent air attack and shelling during the last three weeks. But, clearly, eviction of the Japanese from the Aleutians is as necessary to the maintenance of close communication between America and Russia as their eviction from the Solomon Islands is to the safety of communications between the United States and Australia.

The Future of Farming

The Scott Committee was set up last October to consider the conditions which should govern rural developments "consistently with the maintenance of agriculture"; its report is expected any day now. To judge from the overture of articles and letters in the press with which the report is being piped in, the crucial point is going to be the one of definition. What does "the maintenance of agriculture" mean? The farming interests and all the well-meaning friends of the countryside have no doubts about the answer. It means a "healthy and balanced" agriculture; it means increased wages, stable prices, assured markets and adequate returns. But these are not definitions; they are merely the framework for a definition. The real question is how big or how small post-war agriculture is to be. Question of size never seems to enter into these stirring pleas for a healthy and balanced farming. The nation must, it is said, keep "a due proportion" of land in production; it must keep "a higher proportion" of land than before in arable cultivation in order to feed more livestock; it must accept "some reduction" in imports; it must maintain "a reasonable level of prices." What exactly "a due proportion" or "a higher proportion" or "some reduction" or "a reasonable level" means is not stated. All these aims, maybe, are desirable; but without some quantitative definition they beg the question—indeed, they obscure it. The choice before the nation is a choice between a prosperous agriculture and a large agriculture. Whatever the sum of money which the public will be prepared to spend on agriculture, in subsidies or in higher prices, after the war

it can either be used to secure high wages and high prices for a limited volume of production or less high wages and less high prices for a larger volume of production.

[The Economist, November 29, 1941.]

Obviously, if farming is made more efficient, which is presumably everybody's objective, and the costs of production are lowered, the larger is the agricultural industry that can be maintained for a given price. But the precise size of the agriculture which the friends of farming have in mind is crucial; and, in view of the comparatively high costs of farm production in this country compared with the rest of the world, it seems quite certain that a prosperous agriculture

in this country must be a small one. Unfortunately, it is probable that most people who will talk about a healthy and balanced agriculture after the war are thinking in terms of a large agriculture—which either means that the nation is going to be called upon to impoverish itself in other directions by diverting resources to farming which could be much more economically and productively used in other pursuits, or that post-war agriculture will be sprawling and poverty stricken. The basic fact is that agriculture in this country is relatively unproductive, compared with other callings, and one chief reason why the British standard of living is high is that such a small proportion of British people are engaged in farming.

Wartime Policy

Even more urgent than the future of farming is the feeding of the British people in wartime. The Minister of Food has announced that, in view of the growing demand for shipping space for war purposes, he is reducing the claim of food imports. The problem of making the maximum use of the resources available in wartime has become more acute than ever. An interesting memorandum has just been published by the Communist Party of Great Britain; in it there appears the significant assertion that "It is the maintenance of the beef herd which is the really serious question." This is sound sense. No precise figures are known; but it seems pretty certain that the largest increase in yield from the acreage which has been brought into arable cultivation during the war has been food, not for human consumption, but for livestock. The consequence is that correspondingly more food for human consumption, mainly wheat, has to be imported. It has seemed obvious for a long time that much more control by the Government over the crops grown on new acreage is needed, in order to ensure the maximum possible output of crops for human consumption, such as wheat and potatoes, and in order to see that feeding stuffs go first to dairy cattle and not to meat cattle; and that one of the most urgent means of saving shipping and economising home production is to cut down sharply the size of beef herds—a policy which is, admittedly, not easy in view of the balance of forces in farming politics. It is worth while perhaps restating some of the basic economic facts about agricultural production in wartime. The best use of domestic resources, land and labour, is the production of crops for direct human consumption. If crops are grown to be fed to animals and converted indirectly into human food, the best use for them is in the production of milk; in conversion, the production of milk is from 2½ to 5 times more efficient in terms of nutritional values than the production of meat. There is no argument of any kind to justify the use of feeding stuffs merely to maintain livestock numbers. It would now be reasonable, when the question of allocating shipping space is becoming so critical, for the authorities concerned to answer every request from the Ministry of Food for space for cereals by asking what the Ministry of Agriculture intends to do in order to make the most efficient possible use of its own resources.

Non-Aggression ?

Stories of Japanese preparation for attack on the Siberian frontier multiply. Chinese sources suggest that as many as 31½ divisions may have been recently transferred from Japan and Indo-China to the Manchurian frontier, and that a considerable number of independent brigades have been expanded into operational divisions. General Yamashita, who commanded the fighting in Malaya, has arrived to take command in the north. From the Russian side, there is little news, but the cordiality which followed the conclusion of the non-aggression pact with Japan is now less marked, and Russian support for the cause of Free China is somewhat more evident. The decision whether or not there is to be a clash between Japan and the Soviet Far Eastern army will in all probability be taken by the Japanese, with developments in the Caucasus and Volga regions and in India in mind. If the Russians can hold Stalingrad, Japanese enthusiasm for an adventure in Siberia may be sensibly diminished. If internal dissension in India spreads, the attraction of a campaign in India will be increased. It would be foolish to disregard the informed warnings that, whatever the ultimate intention, Japanese forces do appear to be massing on the Soviet frontiers. Japanese military spokesmen have themselves touched on the issue, pointing out that American pressure might

demand action by the Soviet forces against Japan. The technique has the familiar Axis ring. The fact that a Japanese attack has not materialised so far probably owes much to the experience of the quality of the self-supporting Soviet Far Eastern army which the Japanese gained in frontier clashes in 1938, 1939 and 1940.

Bricks

Brickmaking is an industry which has suffered a sharp wartime fall in demand and been unable to convert its plant to the manufacture of war materials. The consumption of bricks, which was some seven thousand million units in 1938, was almost halved by the end of 1941, as a result of the virtual cessation of house building, and it has since shown a further reduction. Production, too, has been curtailed; by the end of last year, 384 undertakings had closed down. But the rate of curtailment in output has not kept pace with the shrinkage in demand. Stocks have been piled up in excessive quantities. In September last year, a committee was appointed by Lord Reith, then Minister of Works and Buildings, to investigate the position and suggest ways and means of overcoming the difficulties. In its first report, last December, the committee recommended cuts in production; the compulsory closing of redundant brick works; and a care and maintenance scheme financed by a levy on the sale of bricks. Its second report, issued early in May, went much further. Apart from proposing drastic cuts in output and the compulsory closing down of brickworks, it recommended a quota plan for the allocation of trade; the fixing of statutory minimum and maximum area prices; and the introduction of a scheme of compensation, by which concerns producing above the general average for the country as a whole would pay a levy on "excess" sales to be distributed among those whose output was below the national average. To carry out these recommendations, the committee suggested the creation of a National Building Brick Council, which

should be representative of manufacturers of building bricks . . . and should include in a non-voting capacity representatives of research organisations and nominees of the operatives.

The committee, in fact, baldly and blandly put forward a scheme which would leave the administration of the control of prices and production largely in the hands of the owners of brickworks. The familiar representation had been made to the committee that

to place these important duties in the hands of an official nominee would constitute an affront to the industry.

On Thursday, last week, Mr Hicks, Joint Parliamentary Secretary to the Ministry of Works and Planning, informed the House of Commons that the Government had accepted the recommendations of the committee concerning periodical adjustments of production by means of



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quotas; the fixing of minimum and maximum area prices; and the payment of compensation to concerns producing below the national average out of a levy on "excess" sales of other works. The Ministry has also agreed to the setting up of a National Building Brick Council. But, very rightly, it has decided that the status of the council shall be that of an advisory body and that the administration of the quota and price-fixing schemes must be the Ministry's own responsibility. The adoption of a system of minimum prices is itself highly undesirable in principle; the handing over to the industry of control over prices and production would have been the negation of both efficiency and democratic government.

Head of the Service

Discussion has broken out again about the post of Head of the Civil Service. The Lord Chancellor has made an official statement of the position. The supreme head of all the Crown's services is the King. The Ministerial head of the Civil Service is the Prime Minister, who is also first Lord of the Treasury. The principal officer of the Civil Service, under the Prime Minister, is the Permanent Secretary to the Treasury, a title introduced in 1867; this post has carried with it, for 75 years, the headship of the Civil Service, a fact which was formally recognised in 1919, when the Treasury was reorganised. The Permanent Secretary directs the work of the Treasury, including that part of the work concerned with the supervision of administration and the oversight of the machinery of government. Most of the discussion, in Parliament and in the press, has not had much to do with most of these facts. The point at issue is that the Head of the Civil Service advises the Prime Minister on appointments to certain higher offices which require the Prime Minister's approval—permanent heads of departments and their deputies; principal finance officers and principal establishment officers. The argument is that this function of advice has been used to place the wrong men in key positions and has stultified progress in the making of policy and in administrative methods. It is really an argument, not against the post itself, but against the use which has been made of it by two recent incumbents. It is, of course, plain that the men who are responsible for administration have a very large influence, direct and indirect, upon policy. It is wrong that these influential officers should be selected according to narrow considerations of finance or seniority, just as it is wrong that personnel and policy should be constricted in every Ministry by Treasury rules and regulations operated by finance and establishment officers who have no yardstick but parsimony. But this is not to criticise the system so much as to criticise the use which has been made of it. There is no reason why the Head of the Civil Service, whether attached to the Treasury or not, should not be as farsighted and flexible in his choice of men as any other individual. There is no reason why finance and establishment officers in the various Ministries, should be, on the whole, of such poor quality. Some close and regular check of the finances of administration is essential. It would probably be a gain if the Head of the Civil Service were attached to the Cabinet Secretariat and not to the Treasury; but the need for effective Treasury control would still remain. Indeed, there is a case for saying that if the Head of the Civil Service did not exist, he would have to be invented. The real problem is to find the right kind of men to fill, not only this post, but also all the other key positions which are in Treasury hands. Nor is it true that, say, Sir Horace Wilson was too much a slave to Treasury tradition and seniority. Actually most of his own personal experience lay outside the Treasury; and one of his main shortcomings was, not that he did not bring any recruits from outside, but that, like his predecessor, Sir Warren Fisher, he chose the wrong ones.

Aid for Mr Lyttelton

Mr Garro-Jones has been appointed Parliamentary Secretary to the Minister of Production. The appointment seems a good one. Mr Garro-Jones is the youngest member of the Labour front bench in the Commons; and the fact that he, a Welshman, sits for a Scottish constituency, Aberdeen itself, suggests that he possesses the quality of "intrusiveness" which, perhaps above all other qualities, Mr Lyttelton's staff requires. It may be that the office of the Minister of Production was set up too late. When Mr Lyttelton started work a hard crust had already formed around the organisation of production. An older system was dug in. Moreover, the emphasis of policy had necessarily shifted

from production—which, despite all disadvantages, had done surprisingly well—to problems of strategy and military movement. This is not to say that Mr Lyttelton's organisation is not needed. Probably it can never be the directive force in war production which it might have been had it been set up when the need first became apparent. But there are at least three crucial tasks which Mr Lyttelton and his staff can carry out, in parallel with the supply departments. The first is a task, not of direction—perhaps unfortunately—but of coordination; it is to be the link by which production plans and military requirements are kept in line. The second task, for which nobody has ever been responsible since the war started, is to raise standards of technical efficiency among the main mass of war producers by insisting upon the utmost expertness in management and engineering practice. The third task—the only real reason indeed which Mr Churchill recognised for the appointment of a Minister of Production—is to be the integrating factor in the combined production of Britain and the United States. The appointment of Mr Garro-Jones, by relieving Mr Lyttelton of many parliamentary duties, will enable the Minister to concentrate all his energies on this and the other tasks in hand.

Laval at Compiègne

The criminal goes back to the scene of his crime. Laval has just been to Compiègne, the place of France's deepest humiliation, to proclaim Vichy's crime as a virtue. "The hour of France's liberation (he said) is the hour when Germany wins the war." The strange occasion chosen for this utterance was the return of 1,000 French prisoners of war, whom Laval somewhat impatiently tried to win over to his policy of collaboration at the very moment of their return. Laval admitted that Hitler's "magnanimity" towards France "belonged to the past" and that his, Laval's, reason for being in power lay in the attempt to "revive that policy." Thus, the returned prisoners straightway learned what was Laval's concept of "liberation"—flattering and begging the favour of the "whimsical" victor. They had also learned the price of their personal liberty: three French skilled workers for one sick and exhausted French prisoner. No Shylock could conceive a more extortionate deal. The fact that the new "prisoners" are "volunteers" and will earn wages in Germany matters very little; they will work just the same to strengthen France's conqueror. The insignificance of the German "concession" is revealed by Laval's own admission that 1,200,000 prisoners still remain in German camps. Pétain's and Laval's reiterated complaints about the lack of popular response to the Montoire policy have done very little to further that policy. The number of French workers in Germany is still well below the 200,000 mark. Unrest has recently grown in both occupied and unoccupied France. Last week-end's conferences in Vichy were devoted to measures intended to counteract "all attempts to disturb internal peace." Simultaneously, a decree was published imposing the death penalty for the possession of explosives, arms and ammunition. The police apparatus is being strengthened. New branches and auxiliary organisations are being added to it constantly; the most recent creation is the SOL—the *Service d'ordre Légionnaire*—a clumsy imitation of the Black Shirts and of the German SA. The SOL was recently sworn in at Lyons; the setting of the parade was an attempt to translate into French the German mystique of obedience and death. But the impetus and fanaticism of the original German pattern was lacking. The symbolic feature of the Lyons celebration was the moment when, before the oath-taking, the SOL were given the order "*A genoux.*"

Vichy's Plan

The Vichy Government is tightening the economic screw. Up to now producers were allocated raw materials according to their consumption during a standard period. They were free to produce what they liked, though the manufacture of a number of low utility articles was forbidden. At most, the control of production was indirect. The situation is now changing. More and more, the Government (that is the Central Allocation Office for Industrial Products) ascribes definite tasks to manufacturers, to be fulfilled in a prescribed time. For instance, the *Journal Officiel* has just announced that a general production programme will be drawn up for the shoe industry. The allocation of raw materials will be made according to the production quotas ascribed to each firm. For the rubber industry, the official in

charge of the raw materials specifies the quantities allocated to the manufacture of the most important articles. He has the power to prescribe the production of these and other articles in priority to any other production. The reason for the new policy is, of course, the growing scarcity of raw materials—though the desire to free French workers for German factories is playing a very important part in shaping the new programme of control.

Enlisting the Jews

Jews and Moslems working together, as Members of Parliament were reminded in last week's debate on a Jewish fighting force, gave the world algebra among a number of other blessings. Since the last war, they have not been able either to work together or to live together, with the result that the Palestine Administration, striving desperately to maintain the balance and show favour to neither side—or else to both sides at once—was compelled to exercise what five years ago the Peel Commission called "government by arithmetic." This war has apparently proved that the two communities cannot even fight together. Proposals, however, to create a separate Jewish Army, either recruited from Jews all over the world, or merely as a defence force in Palestine itself, have been resisted. In its attitude towards the first proposal, the Government is easily justified. As the one Jew who spoke in the debate emphasised, the Jews are a religious community. They are not a separate people, and the majority do not wish to be identified with Jewish nationalism, but prefer to remain subjects of whatever country they are living in, with the same rights and obligations as their fellow-citizens. Thus, Jews are liable to serve in the armed forces of Great Britain and the United States, and have, of course, discharged their obligations willingly. But in Palestine it is a different matter. The Jews' complaint that there they have not been allowed to exercise their willingness to serve have a considerable amount of justification, although—such is the exasperating difficulty of the Palestine problem—the Government's anxiety not to offend Moslem opinion by allowing them to serve was not without justification too.

Now, however, a Palestine regiment of the British Army is to be created, consisting of separate Jewish and Arab infantry battalions for general service in the Middle East, which will incorporate the present Palestinian companies of the Buffs as a nucleus. The most significant development in this is that there will be no insistence on an even balance between Arab and Jewish recruits; if 9,000 Jews volunteer, and only 1,000 Arabs, they will all be accepted. Sir James Grigg did not say who will command the new regiment, but it may safely be assumed that he will be neither Jew nor Arab. The second measure will be the expansion of the Palestine Volunteer Force, whose function is to help the regular forces and assist in maintaining internal security, from its present strength of about 400 to a maximum of 2,000. This measure represents the Government's adherence to Palestinianism—the attempt to create a Palestinian unity out of the different elements in the country—since the Volunteer Force is drawn from all sections of the community. Thirdly, 1,500 additional recruits will be enrolled in the Jewish Rural Special Police, and, lastly, the training and equipment of existing units will be continued as rapidly as possible. These proposals, which are the usual sort of compromise that marks Palestine policy, will certainly not satisfy the extremist Jews in Palestine and outside it. But the most important thing at the moment is not the satisfaction of Jewish ambitions, or even the righting of Jewish wrongs, but the defence of Palestine and the Middle East. The weight of this defence cannot be borne by a Jewish force, even if expanded to the maximum. It will fall on British and Empire troops; and the Jewish genius can best serve the interests of Palestine and the war effort by directing itself to the question of supplies, in which, as a Jerusalem correspondent points out on page 207, it has already made some extraordinary achievements.

Building Programme

The entire available labour force in the building industry is to be mobilised to provide accommodation for the American fighting forces. A gigantic programme, involving

the construction of aerodromes, camps, hostels, port facilities and the like, is being set on foot. Mr Bevin has issued an urgent appeal to building workers to "go to it" and to employers to co-operate; he said that every builder must be prepared to work on any job, whatever his craft. From his speech and from the account of a rush job, in which offices for the American General Purchasing Board were completed in eight days instead of eight weeks, it might be imagined that the Government was taken by surprise. Yet one would have thought that the demand by the Americans could have been anticipated long ago. One of the obstacles to efficiency in the past has been divided control and lack of co-ordination between departments. It is to be hoped that in the fulfilment of this programme, in which so many departments have a direct interest—the Service and Supply departments, Labour, Works and Planning, Health, Transport—sectional or departmental considerations will not play a part. The chief bottleneck has been labour. It was estimated that there were 820,000 operatives in July, 1941, against 1,350,000 before the war, and since the British war construction programme has passed its peak and was assumed to be nearing completion, a further and more rapid decline in employment was expected. The transference of building workers to the Forces will now be postponed until the American programme is completed; already 28,000 workers who were due to be called up have been deferred until October. There was in February, and probably still is, too large a "garrison" force, that is, the builders engaged on civilian repair and maintenance work. There are also at the present time a number of skilled operatives who are unemployed. The Ministry of Labour will need to draw on both these sources without delay.

Success or Failure?

The fate of the Government's coal plan remains wrapped in secrecy. The Government continues to exhort the public to save fuel. Major Lloyd George has expressed his belief—or is it hope?—that there will be no need to resort to a compulsory rationing scheme. In a speech at Guildford last week, he gave the now familiar instances of how large savings could be effected by an accumulation of small economies; thus if every household saved 2 lb of coal a day, 2 million tons a year would be economised nationally, and if every household put away one 60 watt bulb some 320,000 tons would be saved, and so on. Offices and blocks of flats are also being urged to economise in the use of lifts. It is a pity that no time limit has been set for the voluntary saving experiment and that no target figure, to be reached within a given period, should have been stated. This would have given an opportunity to see how the voluntary scheme was working and would forestall opposition to the introduction of rationing at the end of the period, if voluntary saving failed to achieve the desired results. In the meantime the example of Guildford in organising a "Fuel Economy Week" on the same lines as National Savings Weeks, displaying a target figure and publicising methods of saving coal, might with advantage be adopted by other towns. It also seems a pity that double summer time could not have been extended, at any rate until the end of the month.

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ever reductions are brought about by domestic consumers, it is, however, clear that the bulk of the economies must come from industrial users, who consume about three-fifths of the total coal output. It was stated in the White Paper that a system of allocation to industrial users, similar to that for the allocation of raw materials, was being worked out; the establishment of regional machinery has since been announced, but it is already mid-August, the winter is approaching, and no progress has been reported. The view has been expressed that in the iron and steel industry "considerable economies, in most cases at least 10 per cent, would follow the appointment of a Fuel Officer definitely responsible for fuel control." On the miners' side, the Federation has pledged itself to increase output, and the establishment of national minimum wages and wages machinery has swept away at least some of the impediments to production. But the fact remains that no evidence has yet been given either that the plan to push up output by control is working or that consumption is being successfully cut by exhortation. Until a plain statement is made in Parliament, in precise terms, on what is happening, which should be done as soon as Parliament meets again, the gravest doubts will be entertained.

Integration in Steel

The trend towards closer integration in the iron and steel industry has again been emphasised this week. It is announced that the chairmen of three leading steel companies have joined the board of directors of the Davy and United Engineering Company of Sheffield, a concern which specialises in the manufacture of heavy machinery and rolling mill equipment and has an arrangement with the United Engineering and Foundry Company of Pittsburgh in the United States. The three steel companies now represented on the Board of the Davy and United Engineering Company are Stewarts and Lloyds, the tube specialists, and the United Steel Companies and the Lancashire Steel Corporation, both large vertical combines. In so far as this move is designed to secure greater technical efficiency in production methods by bringing three large users and a producer of steel machinery, with access to the latest developments in the United States, into closer contact, it may be welcomed. But the trend towards closer integration, stimulated by the reconstitution of the British Iron and Steel Federation in 1934, has very real dangers. There can be no doubt about the Government's responsibility for ensuring that integration does not bring restriction in the post-war period as it has done in the past.

Fire Watching for Women

A new stage in the defence of Britain against fire has now been reached. After the first disastrous fire raids at the end of 1940, an obligation was placed on occupiers of business premises to make arrangements for fire prevention, and on male employees at the premises to do fire prevention duty. In residential areas, the local authorities were left to make adequate arrangements by calling for volunteers, but, since the arrangements in these areas were far from satisfactory, all men aged 18-60—with certain exempted classes—living in areas where the Fire Prevention (Business Premises) Order was in force, that is, all built-up areas, had to register for fire prevention duty last September. They could be compelled to do such duty in any part of their local authority area, unless they were already doing 48 hours a month at their business premises. Now, women, aged 20-45, are to be brought into both schemes at one step. In about a month's time, all women in this age-group—with the usual excepted classes, such as members of the auxiliary services, doctors and lunatics—will have to register. Those, whether married or single, who work at business premises, will be liable for duty at those premises. Married women not covered by the business premises scheme will only be liable for duty near their homes; if single, they will be liable to serve in any residential part of their local authority area, but, unlike men, will not be posted to business premises where there is a shortage. At present there are, of course, many women doing voluntary fire guard duty at their homes. Those within the age limits will be brought within the compulsory scheme, and whether they continue to do duty at home or are posted to their business premises or elsewhere depends on the numbers

available in each place. Those over the age limit will almost certainly be retained as volunteers, unless the registration of women, together with the supplementary registration of men, produces enough to make them unnecessary. This, however, is very unlikely, since, although there are over nine million women in this age-group, after deductions have been made for those living in rural areas; those in the services or doing more than 55-hours' work a week; the large number of those with children under 14 in their care; expectant mothers; those doing fire guard duty already; and those who will apply for exemption on grounds of hardship, or because they are unfit, the net increase in the strength of the Fire Guard will probably not be very great.

Training the Fire Guard

Even more satisfactory than the measure to increase the strength of the Fire Guard is the proposal to make training compulsory—if it is enforced. At present, under the second Fire Prevention (Business Premises) Order, it is provided that all arrangements made for fire prevention shall, so far as practicable, secure that persons to whom specified fire prevention duties are allotted, shall receive sufficient instruction to enable them to perform those duties. This provision is lax enough for the minimum of training to be given; but members of voluntary fire watching parties serving under local authorities have apparently been under no obligation to be trained at all. In any case, what training there has been has generally been given by the wardens, and has often gone no further than practice in the use of the stirrup pump. Training, in fact, is based upon the sort of incendiary bombs that were dropped in the first raids. More than a year has elapsed since then, and it cannot be assumed that the Germans have not started to use different bombs and different methods. The very success of the fires caused by RAF raids is a sign that technique has improved considerably in the last year. It is therefore extremely urgent, now that raiding, on however small a scale, has started on this country again, that fire squads should be told what they must expect and not be allowed lightly to prance out of bed with stirrup pumps and sandbags. And the people to tell them and train them should surely be the NFS—not the wardens—since fire prevention and fire fighting should go hand in hand.

Checking the Peasant's Flight

Hitler has issued a decree restricting the sale of agricultural land and forbidding all changes in the ownership of landed property. The official explanation is that changes of ownership invariably result in some decrease in output, and any possible interruption of agricultural production must be prevented. The German wireless has stated that a number of people having no connection with agriculture had been buying agricultural property to increase their personal food rations. It was also stated that people were buying agricultural land and property as an investment. All these explanations are true. Landed property, such as house property, jewellery, valuable paintings and furniture are classed *Sachwerte* (real property); and the German public is very interested in *Sachwerte* just now; one purpose of the decree is to prevent people who fear currency inflation from acquiring agricultural land and property. But who are the sellers of agricultural land? There is an exceptional financial liquidity among landowners. There has been a further reduction of agricultural indebtedness. Most of Germany's farms are subject to the hereditary farm law, which makes sale exceptionally difficult. The small peasant farms, however, are not covered by this law; and there is no doubt that small farms have derived no benefits from the Nazi policy of self-sufficiency. Since 1936, peasants have left the land for work in industry in great numbers and their small property has been bought either by big land owners or by industrial concerns. Wartime conditions have accelerated this process. A great number of peasants unable to cope with the work under wartime conditions may have been forced to sell out. The great masses of peasants owning small farms might well become opponents of the regime if this continued unchecked. Thus Hitler's new decree tries to stabilise the present ownership. Definite promises have been given to the peasant soldiers that their property will be safeguarded; and the decree is intended to dispel any fear among soldiers that they might lose their farms while fighting.

AMERICAN SURVEY

Policing the Price Level

THE immediate threat to Mr Henderson's Office of Price Administration appears to be receding. The House of Representatives, at odds with the Price Administrator over the need for rationing and over questions of political patronage in the new organisation, cut his appropriation from the \$195 millions requested to \$75 millions—which would have made it impossible for the OPA to enforce price ceilings. The Senate has raised the appropriation to \$125 millions, and relaxed the provision which would have transferred power over the fixing of prices on processed agricultural products to the Secretary of Agriculture. It is not certain that the House will approve the increased appropriation authorised by the Senate, and there is a strong disposition in Congress to keep the reins in its own hands by making appropriations for as short a period as possible. But the flood of protests which Congress has been receiving make the financial crippling of OPA less likely than it seemed. Mr Henderson has been successful in manoeuvring Congress into the unenviable position of appearing to want to play politics with the cost of living.

Mr Henderson's survival does not mean that the problem of price control is solved. The OPA has never blinked the fact that the most generous grant of funds and powers will be useless to maintain ceilings, if effective action is not taken to narrow the inflationary gap caused by the increase of purchasing power, at a time when the supply of consumers' goods is decreasing. Mr Henderson himself has been tireless in urging the extension of rationing, and drastic increases in taxation. He has incurred the wrath of the labour unions by steadily opposing wage rises. Nor are his powers adequate. There is as yet no control of wages, and the regulation of agricultural prices is specifically excluded from the province of OPA.

The impossibility of keeping a lid on prices without mopping up excess purchasing power is increasingly realised by the general public. The July issue of *Fortune*, for example, contains an article on "General Max" (the General Maximum Price Regulation), in which the case for heavy increases in taxation and forced savings, accompanied by rationing, is put with great force. A companion article describes the system of price regulation in Canada, and in a table, which is reproduced on the next page, the serious lag of American direct taxation behind that of Britain and Canada is set forth.

The fact that the need for controlling inflationary movements is at bottom the same in every country at war makes a comparison of the progress made in Britain, Canada and the United States both interesting and instructive. National differences and the pressure of events have made each country approach the problem in its own peculiar way. Britain has had three years in which to devise means of dealing with the "inflationary gap." Dependence on imports made rationing inevitable from the first; it was a political and physical necessity. Heavy increases in taxation, subject to post-war credits, and voluntary savings have been the main instruments by which it was hoped to control price rises, and no effective stop has been applied to wages. Price control, as such, has only been piecemeal. Although the Treasury has undertaken to stabilise the cost of living there has been no movement to make the freezing of prices the main weapon against inflation that it is in Canada and the U.S. Prices of essential foodstuffs have been held down by maximum price orders and the granting of subsidies; some raw material prices have been controlled, and recently, with the creation of standardised lines in such articles as clothing and crockery, it has been possible to attempt regulation by the fixing of profit margins for manufacturers, wholesalers, and retailers, and the setting up of price ranges. No attempt has been made to fix prices of armaments, but the control of production costs has been tightened, and EPT has put an effective ceiling on profits. By the increase in subsidies, the Treasury has been successful in stabilising the cost of living index over the past year.

Such success as Britain has achieved has in part been

due to the bleak necessity of cutting its coat according to its cloth; and Britain enjoys certain distinct advantages over countries like Canada, and particularly the United States, in the imposition of controls. Britain is a far more compact administrative unit; experience derived from the last war has been invaluable, particularly in rationing; the Civil Service in this country is much more highly developed and prepared to administer the controls of consumption. Even so, the rising tide of wage demands may still overflow the barriers which have so far prevented a runaway inflation.

The Canadian "Squeeze"

Canada lies halfway between Great Britain and the United States in the sphere of price control. Although Canada had been at war for two years, it was not until the autumn of 1941 that the rise in the cost of living threatened to become unmanageable. There was more time to make the adjustments to a war economy than there has been in the United States. Canada was better prepared psychologically for drastic measures. On the other hand, there had been no noticeable reduction in consumers' goods, such as has been experienced in Britain. In October, 1941, however, the cost of living index had risen to 115 from 107 in March; the national income at about \$6,000 millions was \$2,000 millions greater than it had been before the war; and it was increasingly obvious that, despite sharp increases in taxation, purchasing power was outrunning the supply of goods.

The Canadian solution was simple, drastic, and so far it has been effective. Mr Donald Gordon, Deputy Governor of the Bank of Canada, was given power to freeze retail prices, including the prices of services, and wages at existing levels. A provision for wage increases of 25 cents a week for every point rise in the cost-of-living index was included, but it has not been necessary to invoke it. The "squeeze" resulting from the fact that increases in wholesalers' and manufacturers' costs were not yet reflected in most retail prices was absorbed by agreement between the manufacturers, wholesalers and retailers. In general, the manufacturer absorbed 50 per cent, and the rest was divided between retailer and wholesaler. Costs were cut by drastic simplification and standardisation. Deliveries were reduced, fancy packaging outlawed, the number of styles and models was cut. No ceiling was imposed on goods for export or on war goods. The greatest danger to Canadian price control lay in the dependence of some industries on raw materials imported from the United States, where prices were rising steadily. There were also a few industries where costs could not be cut sufficiently to permit the industry to operate under its ceiling. For these special cases, subsidies were instituted, but so far they have been insignificant in amount—only \$2,128,981 for the period ending on April 21, 1942—and provisions exist for the recapture of subsidies which prove unnecessary.

"General Max"

The Canadian price control experiment was watched with the greatest interest in the United States, and "General Max" admittedly follows the Canadian model in many respects. This is as Canada hoped, for the success of Canada's system of control depends primarily on keeping down the subsidies required by industries dependent on imports from the United States. Like Canada, the United States froze prices of goods and services as at a given date—the highest level reached in March, 1942. But in two essential respects the powers of the Price Administrator were more limited than in Canada. Wages were not included; nor were prices of unprocessed farm products. At least 30 per cent of the average food bill is thus excluded from the cost-of-living controls. In another respect, the scope of price control is far greater. The OPA was given powers over prices entering into military production, such as parts and machinery, and it is said to be at work on price schedules for finished military equipment. But the Services have not been sympathetic to price regula-

tion, which in their view deprives manufacturers of incentives to increase production.

The unwillingness to put an effective stop on wages is evidently the greatest danger to a system of control where prices are based on wage rates paid last year. Mr Henderson has testified that general wage increases, similar to that granted to the workers in little steel, would make necessary annual subsidies of \$3-4,000 millions if the price ceilings are not to be punctured.

It is too early yet to reach any final conclusions about the success of the American price freeze. The precarious existence of the whole Price Administration during the last two months has not provided an atmosphere favourable to progress. Already, however, the price ceilings for tinned fruit have had to be increased about 15 per cent, despite early assurances that every ceiling would be maintained. This does not augur very well for a solution of the "squeeze" on the Canadian model. The alternatives for the distribution of the "squeeze" are the absorption of increased costs within the industry (the roll back); the raising of ceilings (the roll forward); subsidies; and what may be called "hidden inflation," that is, deterioration in standards and concentration on higher price lines. Already all four are being employed by industry and OPA. The absorption of costs has met with success in the soap industry; subsidies have been instituted to meet increased transport costs in the oil industry; and the regulation covering women's clothing appears to be an invitation to manufacturers to abandon low price lines for those where hidden savings in materials and trimmings can recompense them for rising costs.

The form which American price control has taken is obviously less effective than that of Canada, because of the omission of wages and agricultural prices from the regulation. The difficulties of enforcement are also substantially greater. In large measure, this is the result of the American division of powers between Congress and the Executive which all too often allows pressure groups to play off one against the other and holds up or emasculates urgent legis-

lation. The speed with which the United States has been put on to a war footing has allowed less time for adjustment to the necessities of war. There are as yet no serious shortages of essential consumers' goods. The job of policing to be done is also much more formidable than that in Britain or Canada. There are 1,800,000 retailers, 650,000 service establishments and landlords in 366 rent areas to be kept under observation, and the enforcement staff has in the main to be built up from scratch, as there is no civil administration in existence in the 48 states which is capable of taking over the work of price control.

Rations and Taxes

The need for other controls to support price fixing is widely acknowledged, but in the short time since Pearl Harbour very little has been achieved in the combination of rationing, taxation and saving. The OPA has worked out systems for rationing a number of commodities, and the use of points rationing has received a great deal of attention in Washington. In time a great extension of rationing will be inevitable; and it would be desirable now to conserve stocks of goods which cannot be replaced. But the complexities of rationing on a continental scale are very great. A clothing ration adequate for Florida would be suicidal in a Minnesota winter; some method must be devised of reconciling hand-to-mouth buying in the great cities with the monthly or even yearly getting in of supplies by ranchers in the War West. The solutions will be found probably by dividing the United States up into regional areas based on the similarity of needs and customs, but it will take time.

The most effective measure, and equally the most painful to apply, lies in the field of taxation. The new American Tax Bill is still held up in Congress. But there are signs that the need for using it as an instrument to mop up purchasing power is making some headway. Most recent reports suggest that the Senate may increase the revenue it is designed to produce from \$6,000 millions to about \$8,000 millions. With excess purchasing power in 1942 estimated at about \$17,000 millions after voluntary savings, this will not do a great deal to close the gap.

Neither Great Britain, Canada or the United States has been able to devise a completely satisfactory solution to the pressing need for control of wartime purchasing power. But at least the nature of the problem is no longer a mystery. The main instruments—taxation, forced savings, rationing and price fixing—have, to varying extents, been tried out in each country, and an invaluable store of experience in the administration of different measures is being built up. What is needed now is the determination to apply an adequate combination of them all before it is too late.

American Notes

A Guarantee for India?

The acceptance of British action in India as a regrettable necessity—but necessity none the less—is already undergoing some modification. Outright advocacy of the Congress position has almost entirely disappeared except in some Socialist and labour quarters; and there will not be much support for Mr Norman Thomas's characterisation of the arrests as a "dastardly blow at the four freedoms." The increasing sense of involvement developed by eight months of war has brought about a much more cautious and realistic approach to the Indian problem. But the new consciousness of responsibility makes it difficult for Americans to accept the rôle of spectators for long. A number of individuals and newspapers have begun to argue openly that the United States and perhaps China should intervene to guarantee Indian independence after the war, demanding in return the end of civil disobedience. The Marshall Field papers, the *Chicago Sun* and P.M. have persistently advocated this line. The most recent cables suggest that the demand that the United States undertake some sort of constructive action is spreading. The idea of a guarantee for India by the United States and perhaps the United Nations has been very widely canvassed in recent months. It was temporarily damped down by the insistence of Congress on immediate independence. Now that violence has broken out there will be very great disappointment if attempts are not made to open negotiations aimed at a compromise. It would be a mistake to count on unqualified support from American opinion if no further attempts are made to work out a solution.

Concentration in Industry

Mr Nelson has announced a scheme for the concentration of civilian production in order to free labour, factory space, and machines for war purposes. Two experts of the War Production Board's Office of Civilian Supply have recently visited Great Britain, and the programme to be followed makes substantial use of British experience. The intention is to turn essential civilian production over to small plants in the industry, which would be difficult to convert to war production, and to convert the facilities of larger units. The small plants to be chosen must be located in areas where there is no strain on labour, transport, and power, and where compensation is to be paid it will be borne by the nucleus firms. There will be simplification and standardisation of products; great interest has been shown in the development of utility goods in this country. It is understood that steps will be taken to avoid the growth of monopolies. As yet there is no information about the scale on which it is proposed to concentrate industry, or the types of products which will be affected. In view of the fact that the greatest immediate bottleneck in war production is materials rather than facilities, it seems likely that emphasis will lie rather on the saving of materials and skilled labour rather than on the release of factory space for armament output.

* * *

Ankle-Deep

Last Sunday's broadcast, in which the Office of War Information brought to the microphone such outstanding figures as Admiral Nimitz, General Eisenhower, Mr Batt, Admiral Leahy, and the two main leaders of organised labour, was tangible evidence of the skill and determination with which it is handling American information policy. President Roosevelt's warning that American production was only beginning to get into its stride, in terms of what is needed to defeat the enemy, was reinforced by a galaxy of talent seldom assembled for any programme. It was a brilliant stroke to bring into American homes the voice of General Eisenhower, from Britain, and of Admiral Nimitz, from "Somewhere in the Pacific," to appeal for increases in the supply of arms. Admiral Leahy, making his first public address since his appointment as Chief of Staff to the President, spoke with salutary bluntness:

We have suffered grave defeats. Our casualties have been severe. Our country has been invaded. . . . This will be the toughest, hardest and most merciless war we have ever fought.

The programme was timely, not only because of the news from the battlefronts, but because of the disappointing lag in war production in June. According to the Office of War Information, the production of aircraft, tanks, naval vessels, and most types of artillery fell behind schedule in that month, and Mr. Tolson, chairman of the House Defence Committee, charged that "war production is faltering badly." More serious than a temporary hold-up in war production is the easy fallacy that the war is almost won. By pointing out that the United States is as yet "not ankle-deep in the war," and that the victories of the Coral Sea and of Midway were only triumphs of defence, the Office of War Information has done much to cut the ground from under the optimists who profess to believe that the war will be over this year and that further sacrifices are unnecessary. The reorganisation of the Information service has already more than justified itself.

* * *

Labour Unity

Mr William Green, president of the American Federation of Labour, has accepted the suggestion of Mr Murray, the head of the Congress of Industrial Organisations, that he should appoint representatives to confer on ways and means of establishing "organic unity" between the two trade union bodies. In January, peace proposals were put forward by John L. Lewis without Mr Murray's knowledge. They were regarded as a bid by Mr Lewis to recapture the leadership of the labour movement and they did not survive Mr Murray's disavowal and President Roosevelt's disapproval. With a stable agreement between the two groups, the risk of jurisdictional disputes will be greatly lessened; rivalry over wage increases should diminish; a number of unnecessary and, in some cases, unsavoury officials, might be dispensed with; and a united front would be presented to John L. Lewis. There is no doubt that the prospects of a merger are popular with the rank and file. Co-operation between the AFL and the CIO, in the War Labour Board and in local matters has been steadily

increasing since the outbreak of war. Indeed the main split lies not between the AFL and the CIO, but between John L. Lewis and the rest of the labour movement. It seems likely that if a merger is brought about without Mr Lewis's participation, Mr Lewis may make the break with the CIO which has been prophesied for so long. Whether he will carry with him the bulk of the Mine Workers is uncertain. His hopes of capitalising any labour unrest to his own advantage would certainly be greatly diminished if he had to face a solidly united trade union movement throughout the country.

Shorter Notes

President Roosevelt has vetoed the bill providing for the creation of an independent Rubber Supply Agency to supervise the production of synthetic rubber from agricultural and forest products.

*

The electrocution of six of the eight German saboteurs landed on the American coast by German submarines, and the news that Max Stephan, the restaurant keeper who was convicted of aiding an escaped German airman, is to be hung, are signs of the increasing sternness with which the United States is dealing with spies and saboteurs.

*

The War Production Board has decided to sanction the production of 500 Martin Mars flying boats. Mr Henry Kaiser is to receive an initial order for 100 from the Navy. Interference with the military programme makes it unlikely that the programme will be expanded in the near future to the 5,000 aircraft suggested by Mr Kaiser.

*

In a note on "Cargo Planes" in *The Economist* last week (page 171), by a regrettable printer's error Lieut.-General H. Arnold appeared as Mr Samuel H. Arnold.

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INCIDENCE OF INCOME TAX UNITED STATES

HOUSE WAYS AND MEANS COMMITTEE PROPOSAL

Income	Single	Married. No Dependants	Married. Two Dependants
\$	\$	\$	\$
1,000	84	45	75
1,500	171	219	345
2,500	345	708	540
5,000	875	2,064	1,800
10,000	2,295	3,914	3,586
15,000	4,221	6,264	5,856
20,000	6,621	24,840	24,296
50,000	25,316	63,072	62,416
100,000	63,646	409,012	408,316
500,000	409,621		

CANADA

Income	Single	Married. No Dependants	Married. Two Dependants
\$	\$	\$	\$
1,000	88	75	35
1,500	218	275	115
2,500	475	1,000	735
5,000	1,333	3,080	2,710
10,000	3,600	5,625	5,209
20,000	6,278	8,330	7,890
50,000	9,105	26,965	26,437
100,000	28,393	61,875	61,299
500,000	64,348	401,120	400,408
1,000,000	411,720		

UNITED KINGDOM †

Income	Single	Married. No Dependants	Married. Two Dependants
\$	\$	\$	\$
1,000	189	111	127
1,500	400	280	530
2,500	850	730	1,655
5,000	1,975	4,505	4,305
10,000	4,625	7,717	7,517
20,000	7,837	11,230	11,030
50,000	11,350	36,455	36,255
100,000	36,575	84,080	83,880
500,000	84,200	474,080	473,880
1,000,000	474,200		

† Converted at \$4 to the pound.
Source: *Fortune*, July, 1942.

THE WORLD OVERSEAS

North American War Economy

(From Our Ottawa Correspondent)

July 28th

THE first general report of the US-Canada Joint Committee on War Production, covering the first six months of operations, indicates the measure by which a policy of economic integration has assisted the expansion of war production in both countries. More than any other agency, this joint committee is, by its work, rubbing out the national boundary between Canada and the United States. Its original declaration, forecasting the maximum use of labour, raw materials and factory capacity of both countries, provided the foundation for a North American war economy.

The report that, for purposes of comparison, US munitions production for the second quarter of 1942 has increased nearly four times over the same period in 1941, while Canadian munitions production has increased nearly three times in the same period, immediately set at rest Canadian fears that Canada's production might suffer after the United States entered the war if access to US sources of supply were curtailed. Nothing of the kind has happened. Approximately one-third of Canadian requirements for steel frames and plates for merchant shipbuilding is obtained from the United States. Prompt deliveries have been maintained. At the same time, to assist the movement of iron ore on the Great Lakes from US mines in Michigan to blast furnaces in eastern industrial areas, Canada has diverted a considerable part of its Great Lakes grain carrying tonnage to the ore routes. The increase in ore movement this year is estimated at 2,500,000 tons.

Though details are obscured by wartime restrictions, the practical achievements of economic integration may be seen in many instances. Strategic and scarce materials and metals are pooled between Canada and the United States. Canada's war-born optical glass industry was able to supply 30,000 pounds of glass for sights to the US Navy at short notice, when no other source was immediately available. The production of aeroplane propellers has been rationalised on a continental basis, with Canada concentrating on one type, the United States on another. Problems of plant expansion to provide new demands are considered by the Joint War Production Committee in the light of facilities in both countries as if they were one. Canada supplied on one occasion 500,000 shell bodies and fuses to the United States, for filling there and for use by US troops. On the other hand, the United States supplied 150,000 shell castings for filling in Canada.

International Division of Labour

The practical economies of co-ordination are self-evident. Drawing on the resources of a continent, instead of two separate economies, the plan of integrated production brings with it the extra margins of an international division of labour. In the matter of tariffs and border restrictions, Canada permits duty-free entry of all war production goods, while the United States, by executive order of June 1, 1942, suspends all tariff barriers on war supplies ordered by any Washington department. The latest example of co-ordination in this field is the arrangement whereby US war materials may move freely in bond through Canada on highway trucking routes originating in the United States and destined for the United States.

Though many examples are known to exist in which action has been taken recently to revise specifications in order to increase the number of common types of weapons, the sole example disclosed by the committee relates to the Canadian gun carrier. This has been altered in its specifications to permit the use of facilities on both sides of the border in identical production. In this instance, may be seen the growing integration of Canadian war production with American standards. The difference was noted by Lieut.-General A. G. L. McNaughton, Canadian army commander, during his visit home last March, when he said: "In England the emphasis is on careful craftsmanship, hand-

tooling and strength of design. In the United States and Canada, weapons can and are being turned out in vast numbers by use of new processes which stress simplification of design and speed of production."

The beginnings of a practical integration of Canadian and American war production were made early in 1941. As a corollary of joint action in military strategy provided in the Joint Defence Board (August, 1940), the Hyde Park Agreement of April, 1941, recognised the principle, as then stated by Mr Mackenzie King, that:—

In mobilizing the resources of this continent, each country should provide the other with the defence articles which it is best able to produce, and, above all, produce quickly, and production programmes should be co-ordinated to this end.

The Joint Economic Committees (June, 1941) operate in the field of general economic relations. They originated, for instance, a plan of free seasonal movement of farm labour and machinery between Canada and the United States, which is in operation this year. The Joint Materials Committee (January, 1942) operates in the field of primary materials. Finally, the Joint War Production Committee (November, 1941) operates in the field of production of war materials. All these committees stemmed from the original principle adopted at Hyde Park by Mr Mackenzie King and President Roosevelt.

A joint statement on war production policy, issued on December 22, 1941, set out seven principles:—

1. Victory will require the maximum war production in both countries in the shortest possible time; speed and volume of war output, rather than monetary cost, are the primary considerations.
2. All-out war production in both countries requires the maximum use of the labour, raw materials and facilities of each country.
3. Achievement of maximum volume and speed of war output requires that the production and resources of both countries should be effectively integrated and directed towards a common programme of requirements for the total war effort.
4. Each country should produce those articles in an integrated programme of requirements which will result in a maximum joint output of war goods in minimum time.
5. Scarce raw materials and goods should be so allocated between the two countries that such materials and goods will make the maximum contribution towards the output of the most necessary articles in the shortest period of time.
6. Legislative and administrative barriers, including tariffs, import duties, customs and other regulations or restrictions of any character which prohibit, prevent, delay or otherwise impede the free flow of necessary munitions and war supplies between the two countries, should be suspended or otherwise eliminated for the duration of the war.
7. The two Governments should take all measures necessary for the fullest implementation of the foregoing principles.

A Guide for the Future?

The work of the Joint War Production Committee offers a practical example of economic integration that will persist until the post-war period. "The hope of survival of liberty in the United States and the world," said Wendell Willkie, "is directly dependent upon the creation after this war of conditions under which trade can flow as uninterruptedly as possible in the largest possible areas and among the largest number of people." The conditions outlined by Mr Willkie will be, when peace comes, no strange new pattern to the people of Canada and the United States.

Industrial Palestine

[FROM A JERUSALEM CORRESPONDENT]

July 10th

ONE of the outstanding features of wartime economy in Palestine is the conspicuous development of local industry. Already, it is playing a major part in Palestine's war effort, and its importance has been stressed by a recent order, introducing for all essential factories a continuous seven-day week, and a 60-hour week for all labour concerned. Military orders placed with local manufacturers rose from about £P1 million in 1940 to £P4 millions in 1941, and are running at a level of £P8 millions per annum this year. For a country whose total industrial output in 1939 was only about £P10 millions, this is considerable, even if the difference in price-levels is taken into account. In addition, a big local demand for most commodities was created by the fall in imports, and, in spite of the difficulties, industrial exports have also been greatly expanded, the bulk of them serving for essential war needs (potash, petroleum derivatives, and so on).

Yet only to a comparatively small extent was this expansion carried out by establishing new factories. By far the greater part of the growth is due to the fuller use now made of plants already existing. The surplus capacity of most factories established by Jewish immigrants during the last decade, which encumbered them heavily in the pre-war days, has proved in present circumstances to be their greatest asset. Moreover, ample resources of skilled labour were available owing to the unemployment which had accumulated during the pre-war disturbances; and they were further increased by the sharp reduction of work in the citrus plantations. Jewish unemployment figures fell from about 13,000 in the middle of 1940 to almost nil, and, furthermore, some thousands of immigrants and Arab labourers were also absorbed. The number of workers employed in industry has risen since 1939—according to Jewish Agency indices—by about 55 per cent, the number of man-days worked by about 70 per cent, and the value of production by more than 120 per cent, which indicates an increase of about 50 per cent in the physical volume of production. The most important increases—by more than 100 per cent of man-days—have taken place in the metal, textile, food and leather industries, while wood, paper and printing trades, which depend mostly on local demand, are scarcely above peace-time levels or are even depressed. But it should be borne in mind that these indices do not reflect the development of the new factories which started production during the war, and they do not cover the important concessionary concerns, the Arab producers, and so on, which have also substantially increased their output. Most factories now work nearly at full capacity, and a shortage of labour is already evident. Nevertheless, a further rise of production is expected by about one-quarter over and above the level of 1941, which has been estimated at £P20 millions. Of this, more than one-half is being taken up by military orders and by exports, while a further 10 per cent may be accounted for by the individual consumption of the soldiers stationed in the country.

Special Mentions

Some achievements of Palestine industry deserve to be specially mentioned. The oil refineries of the Iraq Petroleum Co. have already a military record of their own; but little is known about the speeding-up of potash production by means of a new method of colouring the water in the solar ponds in order to accelerate evaporation. Phosphoric fertilisers, produced from rock deposits in Trans-Jordan, are already on the market, and the output is to be brought up to 500 tons per month. Sulphuric acid, calcium carbide, dry pectin, ether and various medicines, are among the new products of the chemical industry, and the production of starch and glucose is to begin in the near future. Cotton weaving and spinning are being greatly expanded and the new wool-weaving industry is meeting with fair success. Considerable progress has taken place in the metal industry, which is now delivering a great variety of articles, from agricultural and manufacturing machines to automobile spare parts, and from surgical instruments to harbour constructions. The output of the diamond factories (which are at present paralysed by a wage strike) has reached about 1,800 carats a month.

Portugal's Finances

[FROM OUR LISBON CORRESPONDENT]

July 24th

WITH a wealth of detail, Dr Costa Leite has laid before the country the official accounts covering 1941. Receipts, in round figures are £30,260,000; disbursements £28,310,000. Thus, the established custom of retaining a substantial balance is continued; extraordinary outlay called for by defence is some £7,000,000, or 160 per cent above the 1940 amount, and, because of the balances from past years, there was no need to have recourse to credit as a means of meeting this unproductive expenditure. Also noteworthy is a table showing how the Floating Debt has in thirteen years been turned from a liability of £21,000,000 into an account carrying a credit balance equivalent to some £5,000,000. Attention is also drawn to the rise in the quotation of the external debt (first series), which in June, 1932, stood at 47½ in London and in May of 1942 at 78½.

Dr Costa Leite was not content with this seemingly satisfactory position. The reason for the warning he gave about "difficulties" ahead is the abnormal nature of the trade position. An import surplus of 1,161 thousand contos in 1938 has been converted into an export surplus of 504 thousand contos in 1941, largely because the value of exports has increased by more than 150 per cent, although their volume has been halved. The volume of imports fell by 29 per cent; bank deposits were nearly 68 per cent higher in 1941 than in 1938; and the note circulation was 57 per cent higher. It is unnecessary to lay stress on the danger dormant in further expansion on these lines.

Letter to the Editor

Pooling Resources

TO THE EDITOR OF THE ECONOMIST.

SIR,—I should like to congratulate you on your notes on the problems arising from the changes in the geographic distribution of the troops of the United Nations. All these nations accept the principle that the whole of their resources are to be pooled and used to the utmost to gain victory. Yet the dire experience of the social and economic consequences of the higher pay and rations granted to British troops in France does not seem to have been assimilated. The troops in Malta or in Tobruk did not expect as high rations as they were used to in their homeland and in peace. The shipping position and the problem of morale urgently demand a general agreement on this question. The enlightened approach to the attendant psychological difficulties shown by the US Government in the issue of a pamphlet to their troops is a welcome beginning of a realistic and open treatment of "awkward problems." But it seems wholly contrary to their declared policy to use over a million extra tons of shipping per annum on maintaining peacetime standards of feeding (on the hypothesis that eventually a million US troops will be stationed in this country). At the same time, demand for semi-luxuries which are, or should be, in ever-decreasing supply, is to be increased by not less than £150 millions, or at least 20 per cent. The result will inevitably be either further dissipation of energies on increasing their supply or serious local shortages.

President Roosevelt has shown himself a real statesman in his approach to problems of inter-allied organisation. It is to be hoped that he will propose a general agreement whereby the standard of rations and pay of the armies of all United Nations will be fixed uniformly on the basis of the needs of the moment and available supplies in each theatre of war (it would be foolish to decrease rations in, say, New Zealand or Australia). The difference in pay (and perhaps the money value of the difference in rations) should be credited in their own currency at their free disposal to those who are entitled to more at home (not blocked). Without such agreement neither the full mobilisation of our resources, nor the maintenance of a truly united front, seems possible.

Yours faithfully,

T. BALOGH.

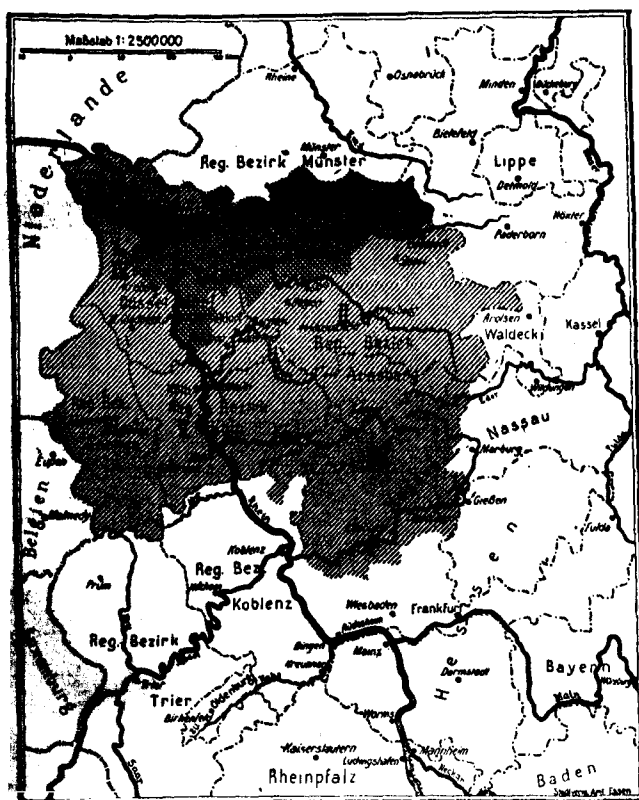
Balliol College, Oxford.

German Europe

Ruhr and Rhine

A LIST of British bombing attacks, covering the first seven months of 1942, shows that the towns of the Rhenish-Westphalian industrial area (*Rheinisch-Westfälisches Industriegebiet*) have been the major objectives. The area, which covers a considerable part of the two Prussian provinces of Rhineland and Westphalia, has its greatest concentration of industry in the Ruhr area, the chief coal mining area in Europe. To the south of the Ruhr is the *Bergisches* and *Sauerland*, with an old-established metal and textile industry. Further to the south is the *Siegerland*, with iron ore mining. From north to south, on the left bank of the Rhine, there is the Lower Rhenish district, which the textile industry dominates; the Cologne district, with large lignite deposits; and the Aachen district, where coal mining is again the main industry. (These areas are indicated by roman numerals on the map below.)

Before the incorporation of Austria, this Ruhr and Rhine region, with roughly 11 million inhabitants, produced three-quarters of Germany's total output of coal,



RHENISH-WESTPHALIAN INDUSTRIAL AREA

The shaded part indicates the geographical extent of the whole industrial area, which is divided into six different districts:—

- I. The Ruhr area proper, the territory of the rivers Ruhr, Lippe and Rhine (heavy shading).
- II. The *Bergisches* and *Sauerland*, the territory of the river Wupper.
- III. The *Siegerland*, the territory of the rivers Sieg and Lahn.
- IV. The Lower Rhenish area.
- V. The Cologne area.
- VI. The Aachen (Aix la Chapelle) area.

Scale of the map, prepared by the German Business Research Institute, is in miles.

and four-fifths of its output of steel. In Greater Germany, including the incorporated Polish provinces and Czechoslovakia, the Rhenish-Westphalian industrial area accounts for roughly half the total output of coal and lignite, and three-fifths of the total output of steel. Every kind of industry has been developed; and the Ruhr area is particularly unique in its combination of heavy and light industries. A particular feature of the Ruhr area is the integrated steel and heavy engineering plants. A considerable number of them are concentrated in the towns of Duisburg, Essen, Dortmund, Hamm, Oberhausen, and Mülheim, which are to all intents and purposes one town with

roughly 900,000 inhabitants. Ruhrort is at the same time the largest inland port in Europe. In this district, the Thyssen steel works have been damaged; rolling mills have been hit, and power houses destroyed. The Ministry of Information also reports that smelting plants, engineering works, and even a coal mine have been hit. Extensive damage has also been done to warehouses. Hardly two miles to the east from Duisburg-Oberhausen starts Essen, the seat of the Krupp works, and the leading town of the Ruhr area. Here the damage done has not been stated in detail.

Gelsenkirchen, the biggest centre of coal mining in Europe, with 42 pits and synthetic oil plants; Bochum, with large heavy engineering plants; and Dortmund: these towns stretch out to the east until, near Hamm, the eastern end of the coal area is reached. The northern and eastern parts of the Ruhr area are mainly coal-mining districts. Single pit-heads, screening plants, farm buildings and villages, with long rows of uniform miners' cottages, are not easy targets for night bombers. Düsseldorf, however, in the south-west corner of the Ruhr area, provides a better target; and the Ministry of Information reports damage to the Mannesmann tube works and the machine tool factory, *Schüss-Defries*. Extensive damage to the *Schüss-Defries* plants, specialising in heavy machine tools, would probably mean difficulties for many armament works awaiting the delivery of machinery.

Concentrated bombing of all these towns can hardly fail to damage some of their works. There is no clear dividing line between the industrial and residential districts of these towns. A familiar sight in these towns is streets flanked at one end with a huge chimney stack and at the other with the steeple of a church. In Gelsenkirchen, pit-heads overlook the main street of the town.

The Lower Rhenish district is the western continuation of the Ruhr area; and the main centres are Krefeld, Neuss, and Muenchen-Gladbach. A considerable part of Germany's textile industry is concentrated here. Light and heavy engineering, particularly railway wagon and chemical works, come next in importance. These towns have not been mentioned in reports on bombing attacks. Cologne, the object of the 1,000-bomber raid, is a separate region, and must have sustained heavy damage, though detailed information only specified an important rubber-yarn factory. Cologne is a typical centre of the kind of engineering works which usually develop in old-established centres of communications. The important textile centre Wuppertal, formerly Elberfeld-Barmen, and the centres of light engineering, Solingen and Remscheid, which were famous long before the Ruhr area was developed, have not yet been mentioned as having been bombed, though Aachen has been repeatedly visited.

A detailed map reveals an amazing network of communications in this area, to which were added before the war some *Autobahnen*. The main weakness of the system of communication in the area is the lack of clearly cut trunk lines. The railways are probably the most vulnerable spot in the whole Rhenish-Westphalian industrial area. The electricity grid system and the gas works, with pipe lines feeding even towns outside the area, are equally promising targets.

There is no doubt that concentrated and sustained bombing attacks on the area might cripple a considerable part of Greater Germany's industry. The industries of the area were rebuilt and modernised between 1925 and 1929. After Hitler came to power, the area was in good working order, and output could be increased without additional construction. This explains why the new industries built under the armament programme were located in central Germany; new centres of heavy industry were built in central Germany, and the greater part of the light alloy industries is also situated there. The lignite deposits of central Germany are the main source of the synthetic oil industry. The conquered industries of Poland and Czechoslovakia have been fully used since the beginning of the war, and the importance of big towns like Berlin, Leipzig, and Vienna as centres of light and heavy engineering has certainly increased during the last ten years. But the Rhenish-Westphalian industrial area remains the most important and most heavily concentrated industrial region of Germany.

Russia at War

Before the Winter

AFTER the heavy industrial losses recently sustained, new adjustments are being made in Soviet industry. Their general trend is not new; it is actually a continuation of the "realignment" effected in consequence of last year's retreat. The aim is more intensive use of the resources and productive capacity still intact. The means are a higher output in the mines and factories of the industrial hinterland of the Urals and Asia; a stricter economy of raw materials, fuel and transport; and a still more intensive use of the labour reserves available.

The grim news of territorial and industrial losses is being set off in the Soviet press by the remarkable successes scored by all war industries in July. The latest results of "socialist emulation" are reported to have been much better than those of a month ago. From the tenor of press accounts, the impression is that, while during June there was a weakening in the rhythm of production, the effort made during July to regain the lost tempo was rewarded with success. An announcement by the People's Commissariat for Ammunition says that the number of its factories which fulfilled or exceeded their plans in July was double the number in June. "Labour productivity" in the Commissariat's establishments increased by more than 10 per cent. Similar statements were issued by the Commissariats for Tank Building, Aircraft Production and Armaments. Emphasis is laid on the fact that some of the previously "backward" plants caught up. Thus, the first place in iron and steel production was this time won, not by the big and modern Magnitogorsk furnaces or Kuznetsk foundries, as the case had been in May and June, but by the medium-sized and old Serovo factory. Serovo produces important ferrous alloys which were previously turned out by electric furnaces on the Dnieper. The first place in production of tanks was obtained by the Kirov plant; this is the new name for the old and famous Putilov factory of Petrograd which in 1914-17 was already the biggest Russian armament plant. Last year, the entire "Kirov"-complex was evacuated from Leningrad to the Urals and converted to tank production; the fact that it was an evacuated plant that could show the highest increase in production of tanks is stressed as a hopeful illustration of the scope still left for a further expansion of output.

The reports about current production are good. But there is no lack of concern about prospects for the autumn and winter. An all-out campaign of preparation has already started. Industrial managers, fuel producers and transport directors are being urged to work out winter plans immediately and to adjust their establishments in advance to all the shortages and difficulties which the cold season holds in store.

The fuel position is the main preoccupation. The loss of the Donbass coal has left the industries of European Russia largely without European coal. The only remaining mining district is the Moscow basin with an output of 7-8 million tons. The coal pits of that province suffered much by flooding during the retreat in 1941. It is reported that the damage has since been repaired and that output has again risen to the pre-war level. Even so, the coal of the Moscow basin provides only a fraction of the normal coal consumption of Moscow's factories alone. The industrial centres on the Volga, with a great number of evacuated plants, will have to rely on coal supplies from Asia. The problem is whether sufficient transport facilities will be available; and whether the Urals, Kuznetsk and Karaganda will produce enough to keep going the eastern industries as well as those of the Volga region. The output of the three mining districts may be about 60-65 million tons yearly.

The main remedy for the shortage of coal in European Russia is a vast switch-over from coal to peat and firewood. This has been the first and most urgent demand in all the appeals for winter preparation. The pre-war output of peat was about 28 million tons, most of it concentrated in European Russia. Already this year—says *Pravda*—

large numbers of electrical power stations and hundreds of varying types of enterprises have used peat as their fuel.

The output of peat is now being feverishly expanded. The obligation has been put on factory directors to lay in stocks of peat and wood sufficient to keep their enterprises running until next spring. The stern words, "the

country will not forgive"—which were used in the "Not a step backwards" orders to the Red Army—have also been used in appeals to industrial producers:

The country will not forgive non-fulfilment of the plan for collecting and drying peat. Not at some time in the future, but now, the leaders of every enterprise and every district must take steps to ensure reserves of fuel for the winter. They cannot, and must not, count upon imported fuel.

Strict time limits have also been set by the Government for the preparation of stocks of raw materials by directors of factories. All managers of iron and steel plants have been ordered to have their reserves of iron ore and fuel brought up to the required standards by the first days of October. The railway managers, too, have been reminded of the popular Russian proverb: "Make your sleigh ready in the summer." Last winter's shortcomings, it is said, must not be repeated this year; repairs of engines and tracks must be completed early; and preparations must be taken in time to cope with snowdrifts in the winter. The chiefs of the railways leading from Asia to Europe have been made aware of the new responsibilities which have fallen upon them after the loss of important European transport facilities. At the same time, some hold-ups in the production of coal in Asiatic districts and of oil in the "Second Baku" have been attributed to the failure of the railways to carry away in time the coal from the mines and the oil from the wells.

Thus, amidst difficulties which stagger the imagination, Russia is preparing betimes for a second war winter with the unparalleled and grim determination to make its war industry and war machine work in spite of frost, shortages and war-weariness. Everything has been geared up for that purpose. Preparation for the winter has become the main item on the agendas of party—and Soviet—meetings throughout the country. Labour discipline has been increased, and nothing that is possible is being left undone to muster the last ounce of strength in Russia's gigantic struggle for survival.



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THE BUSINESS WORLD

Copper Supplies

COPPER and its alloys rank among the most important of munition metals. Nearly half the total copper consumed goes into munitions proper—such as shells and cartridges—and the bulk of the remainder is needed in the manufacture of electrical equipment and for mechanical parts which must be able to resist corrosion or act as heat conductors. The importance of the metal was illustrated by Mr Donald Nelson during a speech on June 13th, when he said:

One type of bomber that is now defending our freedom requires more than two miles of copper wire to keep it flying. Another type of plane that we are using requires 500 lb. of copper. A battleship uses two million lb. of copper. If there were no copper, our big guns all over the world would be silent and helpless.

The Axis is deficient in copper. Before the war the countries controlled by Germany produced only about 150,000 metric tons, or 7 per cent of the world's output. Both Germany and Italy were then large importers and consumed some 450,000 metric tons per annum. Germany may have contrived to step-up production a little and to reduce the deficiency in ore supplies by extensive substitution and scrap recovery, and by eking out stocks accumulated before the war. But as Germany's present needs can hardly be much smaller than before the war, the prospect of a serious shortage must have been ever present. Apart from the small deposits in Cyprus and Turkey, the only really large source of supply not overseas is in Russia. Although the major part of Russia's resources are in the Urals and beyond, some of the most highly developed mines, significantly, are in the Southern Caucasus. Japan, too, produced less than half the copper it consumed before the war; but the deficiency, which cannot be made good from the countries its armies have overrun, will not become a serious problem for some time, as Japan started the war with a full cupboard.

The Allies, then, possess the overwhelming share of the world's supplies, and the American *Engineering and Mining Journal* estimated last year's world output at 2,500,000 metric tons. Until the summer of 1941 it appeared that the current rate of output in the countries tapped by the United Nations would meet prospective requirements. But the vast demands of munitions factories of the United States have necessitated a considerable expansion in supplies. Two months ago, Mr Donald Nelson hinted at a shortage:

Not so long ago we had plenty of copper—all that was needed for our army and for our peaceful civilian population. But now everything is changed. I can tell you frankly that there is a shortage of copper. We shall need every bit that we can get to win this war.

In one sense, Mr Nelson's statement is encouraging. It is an indication of the phenomenal expansion in the war production of the United Nations. But the copper consumption of the United Nations is so much higher than that of the Axis that copper can hardly be used alone as a yardstick of comparative munitions production. Germany has made a fine art of the eking out of scarce resources and has probably resorted to substitutes much more extensively than Great Britain and North America. Fortunately, the scope for further expansion in the copper supplies of the United Nations, and for economies in the use of copper, remains substantial. Both in Great Britain and in the United States, not only internal output and allocations, but also copper imports, are strictly controlled. In this country, the Non-Ferrous Metal Control of the Ministry of Supply introduced a Government import monopoly at the beginning of war, and since October, 1939, it has acquired all the copper required under bulk buying agreements with the large Empire producers in Canada and Northern Rhodesia, and, since last year, also with the *Union Minière du Haut Katanga*, the only supplier in the Belgian Congo. Producers in the United States are compelled to sell their output according to the directions of the War Production

Board, and all imports have been the monopoly of the Government-controlled Metals Reserve Company since December 28, 1941. The Metals Reserve Company has concluded a number of agreements by which the whole of the Latin-American copper surplus is at the disposal of the United States Government. In short, the production of all major producing countries accessible to Britain and America is acquired by one or other of the two Governments.

The prices paid by the British Government to producers in Canada, Rhodesia and the Belgian-Congo are based on pre-war rates; they allow only minor additions for increases in production costs. As a result, the Ministry of Supply has been able to keep the British maximum price for copper since December, 1939, at the reasonable rate of £62 per long ton for electrolytic copper, delivered at consumers' premises, which compares with an average price of over £138 per ton in 1916. The American Government has recently been paying slightly over 11 cents per lb. for Chilean copper free United States ports, and the domestic price "ceiling" has been held at 12 cents per lb. since September, 1940, compared with an average price of 27.20 cents per lb. in 1916. As the accompanying table shows, production has shown a rising tendency since the outbreak of war; this is ascribed to the fact that virtually

WORLD COPPER PRODUCTION *
(*000 metric tons)

Country	1937	1938	1939	1940	1941
United States	751.4	501.0	661.5	803.1	881.6
Canada	236.2	261.2	279.2	431.0	(b)
Mexico	46.4	41.1	48.4	40.5	45.0
Chile	410.0	348.7	336.5	349.7	451.8
Peru	35.4	37.2	35.3	36.6	36.0
Germany	29.3	29.8	29.8	29.7	(b)
Russia	91.8	97.2	106.2	108.0	(b)
Spain & Portugal	31.1	34.2	25.6	31.5	(b)
Japan	75.3	76.4	76.4	76.6	(b)
Africa	374.7	265.8	354.1	369.0	(b)
Other Countries	167.4	183.1	193.9	202.5	(b)
World Totals	2248.8	1875.6	2146.8	2362.9	2511.0

Production of copper on ore basis, with a few exceptions.
(a) Conjectural. (b) Not available.
Source: *Engineering and Mining Journal*, U.S.A.

all producers in Canada, Chile, the Belgian Congo and Northern Rhodesia are operating at costs which, despite increases since the beginning of the war, are on the average probably not much higher than half the prices they receive from the British and United States Governments respectively. These satisfactory profit rates—which in the case of the Rhodesian producers, however, have been reduced by comparatively low EPT Standards—together with a guaranteed market for the whole output, have had a stimulating effect on production. Supplies are being directed through the Government control organisations, that is to say, by the War Production Board in the United States and the Non-Ferrous Metal Control of the Ministry of Supply in this country, into the desired channels.

Essential though they are, further curtailments of civilian consumption—even if they touch uses so far regarded as indispensable—are not enough to meet the growing military needs of the United Nations. Nor is the remedy likely to be found in substitution; apart from the 40,000 tons of silver accumulated in the United States, the potential substitute metals are in even shorter supply than copper. Only additional supplies can help to reduce the present shortage.

In both countries an intensified collection of scrap metal has been initiated, and the United States Government expects to add approximately 300,000 tons of recovered copper to its supply this year. For this country comparable estimates are not available. In both countries, too, domestic metal production drives have been initiated; this will

hardly lead to a sizeable production in this country, which lacks major copper deposits, but offers substantial opportunities in the United States, especially as the American Government has introduced a production premium of 5 cents per lb. for any copper produced in excess of last year's output. The energy with which the United States Government is working to raise its copper production is shown by the fact, quoted in a recent speech by Mr W. L. Batt, the WPB's vice-chief, that 15 mines to-day supply 98½ per cent of the United States copper output, while over 270 mines, most of which are dependent on the production premium, are producing the remaining 1½ per cent. The United States Government is spending over \$180,000,000 on domestic copper developments, and private capital is supplying an additional \$40 millions.

The additional quantities which can be obtained in Great Britain and the United States, however, are far smaller than those which are likely to be obtainable from the young producing areas of America and Africa. The Canadian copper output will automatically increase with the huge nickel expansion programme now in full swing. In Chile, copper production can be expanded without difficulty, in view of the enormous ore reserves and favourable mining conditions, although production there has already passed the rate of 500,000 tons per annum. Actually the

recently concluded agreement between the United States and Chile, whose copper mines are largely controlled by United States mining concerns, aims at the maximum output, and besides guaranteeing the purchase of the whole of Chile's output, provides for the reconsideration every six months of the price paid to producers. In the Belgian Congo the newly formed *Direction de la Production Minière de Guerre* has taken charge of the copper development programme in order to raise production to its potential maximum, which almost certainly entails the resumption of the development work at the new Ruwe and Kolwezi copper deposit in Katanga, which was interrupted early in the war. In Northern Rhodesia, too, there is scope for considerably greater production through the full development of the N'Changa Mine, which was initiated in 1937, but, like the development of the new Congo deposits, was interrupted in the early months of war.

Less than two years ago it appeared that the war would hardly result in any new and major changes in the output and structure of the international copper industry. These calculations have been upset by the remarkable expansion in demand. The superiority of the United Nations over the Axis in copper supplies, already a crushing one, will be further raised by new expansion programmes, and will assist in securing a growing flow of munitions.

Finance and Banking

Another Circulation Record

Helped by some Government borrowing from the Bank of England, and by relatively small TDR payments, the banks have found themselves well supplied with cash during the past week. It has, however, been evident that they have preferred to use their resources by making additional loans to the market rather than in purchases of bills. The imminence of substantial transfers of tax money to Government accounts probably accounts for this decision. The discount market which obtained a 38 per cent allotment at last week's Treasury bill tender has therefore found little difficulty in taking up its generous quota of bills, though a small amount of special buying of bills was reported on Thursday. The Bank return reflects the prevailing conditions in the short loan market, and illustrates the factors at work. The rise in Government securities amounts to £5,115,000, while Public Deposits have been run down by £3,659,000. The main counterpart of these movements is to be found in a rise of £7,935,000 in bankers' deposits which have thus recovered to the comparatively comfortable level of £126,073,000. The recovery in bankers' deposits would have been more marked had there not been a further expansion of £1,158,000 in the note circulation carrying the total to the new record figure of £834,472,000. This extension of the holiday demand for currency is typical of the blurring of seasonal factors which has been evident since the outbreak of the war. The seasonal influences are still at work, but they operate beneath a strongly rising secular trend in the demand for currency, and in the case of the August Bank Holiday period there is no longer the concentrated impact of work stoppages and holiday spending which occurred before the war. Nevertheless, the effect of holiday spending has been clearly marked this year. The expansion in the note circulation over the three weeks embracing the bank holiday amounted to £19,216,000 as against a comparable increase of only £15,523,000 last year.

Dearth of Commercial Bills

The almost complete disappearance of commercial bills from the London discount market must not be taken as a reliable index of the reduction in the volume of sterling commercial bills being created. The reduction in international trade and the increasing extent to which the movement of commodities to and from this country is handled by one or other of the Ministries or other Government agencies have inevitably led to a considerable curtailment in the volume of bills drawn to finance import and export trade. But it is undoubtedly true to say that to-day a smaller proportion of the reduced volume of commercial paper being created finds its way to the discount market than was the case before the war. There are two main reasons. In the first place, the vagaries of the convoy system and the uncertainties which it has introduced in the duration of voyages to and from this country, have made it impossible to classify

any merchandise shipment within one or other of the normal tenors of a bill of exchange. The two or three or six months bill can no longer be expected to fit the approximate duration of the commercial transaction which it underlies. The practice has thus grown up for bills against shipments of goods to be drawn payable at sight after receipt of advice that the goods in question have reached their destination. Such bills are of indeterminate currency and thus wholly unfitted for normal negotiation in the discount market. The tendency is for the banks which first negotiate these bills in London to keep them in their own portfolios and not to rediscount them in the discount market as would have been the customary procedure before the war.

The second reason why such commercial bills as are drawn do not reach the discount market is to be found in the abundance of resources at the disposal of the banks in

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this country and in the dearth of genuine commercial assets available for the employment of these resources. This factor is also in part responsible for the practice, mentioned above, of banks keeping in their own portfolios such bills as may come to them for negotiation. But the process has gone further. Although such a course would have been considered wholly unorthodox before the war, it has now become fairly common practice for accepting banks to discount their own acceptances and thus earn interest as well as acceptance commission. Where this occurs, it is, of course, but a step to cut out the acceptance credit altogether and replace it by a cash advance by the bank concerned. In other words, wherever acceptance houses are allowed to do so by the volume of resources at their direct disposal, they will lend their money rather than their credit, and in the process the discount market is deprived of even the meagre trickle of commercial paper to which the present volume of international trade should be giving rise.

Credit Still Expanding

The July clearing bank returns reveal that the trend towards expansion of bank credit is still in full swing. Admittedly, the total of deposits shown in the aggregate return is only some £1,000,000 above the June figure, but in making this comparison allowance must be made for two factors. The first is that the June figures relate to the closing

(In £ millions)

	July 1941	Mar. 1942	Apr. 1942	May 1942	June 1942	July 1942
Capital and reserves	140.2	140.3	140.3	140.3	140.3	140.3
Acceptances, etc.	98.5	102.0	97.8	95.9	92.4	89.8
Notes in circulation	1.4	1.6	1.5	1.5	1.5	1.5
Current, deposit and other accounts	2,990.7	3,071.9	3,081.5	3,131.2	3,263.1	3,264.0
Total Liabilities	3,230.8	3,315.7	3,321.1	3,368.9	3,497.3	3,495.6
Cash	306.3	347.3	318.8	326.4	354.6	341.9
Cheques, balances, and bills in transit	113.2	136.8	124.2	125.2	143.2	115.3
Money at call	138.6	136.6	136.0	133.1	147.3	131.7
Discounts	274.5	262.9	258.1	290.7	292.0	272.5
Treasury deposit receipts	476.0	475.5	449.5	470.5	542.5	607.0
Investments	902.5	1,049.8	1,048.4	1,049.4	1,058.3	1,074.8
Loans and Advances	853.4	837.7	821.2	810.7	800.3	795.9
Investments in affiliated banks	23.8	23.8	23.8	23.8	23.8	23.8
Cover for acceptances, premises, etc.	142.5	145.3	141.1	139.1	135.3	132.7
Total assets	3,230.8	3,315.7	3,321.1	3,368.9	3,497.3	3,495.6

day of the half year when the seasonal and artificial expansion of bank credit is at its highest. The second is that between June 30th and the July making-up days the amount of cheques in course of collection and items in transit decreased by some £28,000,000. To this extent, the element of duplication in bank deposits was reduced, and it follows

that the true expansion in bank credit in July over and above the abnormally inflated June 30th figure was in the neighbourhood of £29,000,000. The movements among assets show an exceptional redistribution of funds. The shift from bills to Treasury deposit receipts made further considerable headway last month, the former declining by £19,500,000 and the latter rising by £64,500,000. The fall in bills, read in conjunction with the increased allocations of Treasury bills to the market during July, explains the considerable sales of bills to official quarters which the discount market was forced to make last month. Perhaps the most surprising movement in the return is the further increase of £16,500,000 in investments. This movement owes its inspiration to no warships week compulsion and is an uninstigated response of the banks to the call of maintaining earnings over a period when credit was still expanding and when advances the most remunerative type of asset, were still falling. This last movement amounted to £4,000,000 over the month and left the total of advances some £172,300,000 below what it was a year previously, and £279,000,000 below the latest total of investments. The cash position last month showed its customary seasonal contraction after the June 30th window dressing. At £341,900,000, the total was some £12,700,000 below that for June 30th, and the ratio of cash to deposits had declined from 10.9 to 10.5 per cent.

Indian Troubles and Bullion Prices

For once, the outbreak of civil disturbances in India has left gold and silver prices untroubled. The Bombay bullion market has been wisely kept closed, and it is, of course, in that market that the most marked reactions to the disturbances would have been experienced. The latest quoted prices in this market were Rs 57.26 per gold tola and Rs 84.3 per roo tolas silver. These are way below the records reached when the threat of a Japanese invasion of India appeared most immediate, though they remain well above the London parities. Meanwhile, the London silver market continues to be exceptionally quiet and uneventful. A steady but modest, trade demand has to be satisfied, and when supplies of newly mined silver are not available to meet it, official sales of Indian Government silver serve to bridge the gap. These are still made at the "ceiling" price of 23½d per ounce and it is at this price that the metal is now regularly quoted day by day. Now that silver is quoted in the New York market at ½ cent above the Treasury's buying price of 35 cents for imported metal, rather more newly mined silver is being diverted to that market. With Burmese production out of the running for the time being, and with the difficulty of shipping Australian silver to this country, it follows that the satisfaction of trade requirements may come to depend increasingly on sales of official silver. Fortunately, London holdings are ample after their replenishment by shipments from India in 1941 and, in case of need, further transfers of the metal could readily be made.

Investment

India and the Market

The decisions of the Indian Congress Party, and the rioting which has followed upon them, have proved only a minor cause of disturbance to the stock market. Added to the steady advance of Germany into the Caucasus, they have proved sufficient to produce a generally weaker tone, but the falls are, so far, very modest, even in those Indian securities which would feel the full repercussions of any extended period of civil disobedience. Having regard to the fact that a resumption of the offensive by Japan may be expected any time after the end of the month, the attitude of the investor in local securities seems to argue confidence which contains a large element of optimism. More generally, the effect appears to have been felt most severely by fixed interest securities. According to the indices of *The Financial News*, the fall in these is of the same order of importance as that in equities. That is to say, it is much more marked than would be expected from the greater stability of the former class. Whatever may be the cause, it is the fact that the number of bargains marked in the Funds has fallen sharply, while the total from all sources has risen. This doubtless accounts for the fact that the market complains daily of a falling off in turnover. Evidently, such business as there is being left to the small man, for the average daily number of bargains, received in the last five business days, is a trifle above that for the pre-

ceding month. In war, sudden changes in the position are to be expected at any time, but, in the absence of some very favourable development, the immediate outlook is grave. Apart from the very slight general weakness, the only indication that the investor is adjusting himself to this is the recent demand for South American Government and railway stocks.

Setback for Savings

It would be foolish to overestimate the importance of the latest relapse in the small savings total. At £8,566,000 for the week ending August 4th last, small savings are, however, approximately back at the level of a year ago, when the week ending August 5, 1941, yielded no more than £8,564,000. The total for the past four weeks, at £38,019,000, is indeed slightly below that of the corresponding period in 1941, which amounted to £38,904,000. Moreover, last week's total is the lowest since the corresponding week of a year ago, with the exception of the setback in the Christmas fortnight. The small savings figures provide a unique statistical guide to fluctuations in national thrift, and it is becoming obvious that the end of July and the first week in August is an important seasonal trough, which even staggered holidays have not been able to obscure.

There is a strong probability that, within the next fortnight, the figures will begin to pick up again; that they will return to normal in September, and may rise to a high level in early December immediately before the season of Christmas disbursement. The latest relapse is not in itself a cause for disappointment or recrimination—indeed, it might have been forecast. But seasonal explanations are unfortunately not enough to dissipate discontent with the general results of the small savings campaign. The fluctuation is inevitable, but the absolute height of the totals since early April is very much at fault. It is a grave reproach that weekly totals are not in general above those of a year ago—that, since the special spurts engendered by warships weeks have ceased, the average is so far below Lord Kindersley's target figure of £15,000,000 weekly. The suggestion that the failure to increase small savings is due to the incidence of higher taxation on wages may well be true, but it provides no justification. In the face of rising incomes and a diminishing total of consumable goods, an ever higher proportion of personal income must be sterilised by one means or another. If voluntary savings are merely to act as a buffer on which taxation can draw, the aim of the campaign, which is to complement, and not to act as a substitute for, fiscal measures, is not achieved. There is no direct measure of the proportion of incomes which is neither taxed nor saved, but there is good reason to believe that, in spite of everything, this must have risen in very many cases during the past year. Some of it appears to be going into additional holding of notes, but more is probably used in raising prices.

South American Bonds

The latest member of the South American group of countries to resume debt service is Paraguay, which is proposing to commence, as from January 1, 1943, interest payments at the rate of 3 per cent on its two outstanding sterling loans. The interest is that agreed under the arrangement of 1924, which was carried out until 1932 as regards sinking fund and until July, 1933, as regards interest. The first interest payment to be made under the

new plan will be that for the January, 1934, coupon. The Paraguayan Government expresses regret at not being able to resume the full service, but the move is in the right direction, and monthly remittances are to commence forthwith. The Council of Foreign Bondholders urges acceptance of the offer and will, in due course, advise bondholders of any action they should take. The stocks in question are 3 per cent loans of 1886-96 and 1915, the total amount outstanding being some £650,000. The announcement is principally of interest as stressing the spread of the good effects of Anglo-American demands upon the Central and South American republics for war materials. The price of the two loans has recently risen from around 12 to some 22 points, and jumped a further 9 points on the announcement. At 31 the yield on a regular 3 per cent payment would be approximately 10 per cent, a sufficient indication as to the uncertainty of the outlook. The other recent feature of this market has been fairly active buying of Mexican bonds, in the belief that some arrangement may shortly be concluded. Meanwhile, there is a reaction in Brazilian bonds, which, however, still stand at anything from 50 to well over 100 per cent above the lowest of the year. Chilean stocks have so far experienced little recovery and there is no direct evidence that their position is greatly improved although the exchange position is eased, largely by increased exports of copper. The bonds of Argentina and Uruguay are in a class by themselves. The former Government is now offering an internal loan of 300 million pesos, running for 41 years and carrying interest of 4 per cent, with a 1 per cent accumulative sinking fund. The offer is open for ten days, at a price of 93.80 for the first five days and 93.90 thereafter.

Railway Capital Charges

In a note which appeared in *The Economist* on July 25th, the authorities were criticised for not having published the full terms of their agreement with the railway companies, with the result that holders of Transport "C" stock had been led astray as to the effect on their immediate prospects of the conversion of the TFA loan. This criticism was

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unwarranted. The particular point was covered by Article 4 of an Appendix to Statutory Rules and Orders, 1941, No. 2074. The relevant paragraph reads:

"Where capital is raised or redeemed by a controlled undertaking subsequent to the end of the base period, there shall be debited or credited (as the case may be) in the net revenue accounts of that undertaking the amount of the interest or dividend incurred or saved by the raising or redemption of such capital."

It is to be regretted that a matter of such importance should not have been included in the summary, and that little or no official action was taken to draw attention to the publication of the paper in question, which, in the difficult conditions of to-day, escaped the attention of both the press and the market.

Company Notes

Record Profits for Ford

As was to be expected from a firm engaged in the manufacture of tractors, the profits of the Ford Motor Company increased further last year. The increase is, moreover, far greater than that of 1940, and the new figure constitutes a record. Only a part of the increase is absorbed by larger EPT appropriations, and most other charges, including income-tax, are lower, with the result that instead of a debit of £37,321, there is a credit of £350,454, before bringing in the various amounts written back. This year the only substantial item brought back is £102,500, previously provided for war damage contributions, and no longer considered as being required, since it can be charged against any refund of EPT which may be payable after the war. Profits and appropriations of the past three years are set out below.

	Years ended December 31st,		
	1939	1940	1941
Trading profit.....	2,753,417	2,785,594	3,410,863
Depreciation, etc.....	845,222	851,559	793,443
Fees, pensions, A.R.P.	192,408	213,856	190,172
E.P.T. and N.D.C.....	425,000	920,000	1,365,703
Income Tax.....	685,000	735,000	711,091
War Damage.....	...	102,500	...
Ordinary shares:—			
<i>Earned</i>	605,787	Dr. 37,321	350,454
<i>Paid (net)</i>	337,500	270,000	270,000
<i>Earned %</i>	10.8	Nil	7.8
<i>Paid %</i>	6	6	6
Contingencies.....	...	100,000	100,000
Carry forward†.....	1,044,037	961,716	1,050,841

† After bringing in from past profits £20,000 in 1939, £325,000 in 1940 and £108,671 in 1941.

NOTE.—The figures are in each case those shown in the report for the year, not the later adjusted figures which show minor changes only.

The figures include no receipts from subsidiaries, and the balance-sheet valuation of holdings in these is unchanged, although their value cannot be ascertained. The cash position shows a marked improvement on the year, stock in trade being up by £808,903, and total liquid assets—among which is included £178,374 for war damage contributions—by £2,390,043, while creditors are up by £988,752, and tax provision by £832,833. These calculations include the relatively modest inter-company debts. Bearing in mind that the results show no receipts from subsidiaries, both the immediate and the longer term outlook for the group appears good. This is reflected in the price of the £1 stock units of 26s. 6d. ex dividend, which gives a yield of only £4 10s. 7d.

Royal Mail Earnings

The announcement in March of a payment of 6 per cent in respect of 1941, against 5 per cent for the preceding year, suggested an improvement in the position, if not in the earnings, of Royal Mail Lines. The full accounts no longer disclose operating expenses, but they give tax appropriation as £175,000, after which there is a profit of £733,420 compared with £729,862. The rise is, however, more than accounted for by an increase in revenue from investments from £49,823 to £70,574. Depreciation of the fleet receives £360,000 against £345,000, while £253,000 against £100,000 is placed to fleet replacement, which draws £99,000 from other sources, presumably excess of realisation, of ships

lost or sold, over book values. Actually, the value of the fleet is up by some £583,800, after depreciation owing to deposits on new tonnage building. After the appropriations mentioned, the dividend is covered with a very modest margin, whereas last year £60,000 was written off investments, and some £118,000 added to carry forward. The cover for the ordinary dividend is 18.7, against 18.9. Creditors are up by almost £250,000, and loans down by nearly half as much, while rises of £1,523,319 in cash and £201,000 in investments are rather more than offset by a fall of £1,795,175 in debtors. Thus, the net balance is a trifle reduced, but it is held in more liquid form. The market value of the investments is some £33,000, or some 1½ per cent, above the book value. The GTR account is reduced from £317,825 to £309,336. The fact that earnings from operations were almost maintained, despite the fact that the fleet was operating throughout under Government requisition, is satisfactory, although the company does not appear to have done so well as some others. In his comments, Lord Essendon gives unqualified approval to the scheme for the acquisition by the industry of ships being built for the Government, and voices once more his opposition to anything in the nature of a National Fleet. The £1 stock units, at 22s. 6d., yield some £5 7s. 10d.

Watney Combe Reid Improvement

The full accounts of Watneys for the year to June 30th last fully bear out market expectations of a bumper brewery season. Total profits are some £300,000 higher at £2,694,492. The whole of the increase is not reflected in the rise in equity earnings from £694,934 to £848,860, since rates, taxes and insurance are up from £313,902 to £378,618, while repairs and depreciation require nearly £100,000 more at £347,833. None the less, there is a rise in the earned rate from 28.7 to 35.3 per cent, which amply justifies the payment of a 3 per cent cash bonus, making 18 against 15 per cent for the year. Property improvement reserve receives £250,000, against £200,000, and the carry forward is raised from £328,961 to £354,448.

	Years to June 30,		
	1940	1941	1942
Trading profit.....	2,067,034	2,056,110	2,299,637
Rents, dividends, etc.....	482,256	334,994	394,855
Total profits.....	2,549,290	2,391,104	2,694,492
Trade and office expenses, etc.	947,211	930,877	994,647
Fees, licence duties and deposit interest.....	75,282	66,491	59,872
Repairs and depreciation.....	230,618	250,959	347,833
Debtenture interest.....	240,746	236,181	231,610
Prof. and pref. ord. dividends	211,663	211,663	311,663
Deferred ordinary stock:			
<i>Earned</i>	843,771	694,934	818,866
<i>Paid</i>	541,520	477,811	573,374
<i>Earned %</i>	32.2	28.7	35.3
<i>Paid %</i>	17	15	18
To property improvement res.	300,000	200,000	250,000
Carry forward.....	311,838	328,961	354,448

The chairman, Colonel O. P. Sercolod, states that sales were higher during the year in question, but that the increase in duty imposed at the last Budget does appear to have restricted consumption. It is possible that this influence may prejudice gross receipts in the current financial period. For the present, total income still appears to be limited by the supply position, which remains inadequate to meet potential demand. The company has exercised its option to convert the whole issue of 5½ per cent debenture stock, 26 per cent of which has fallen to be taken up by guarantors. The new 3½ per cent issue will be redeemed by sinking fund purchases by 1968. The balance-sheet shows a sound liquid position, with beer, malt, hops, etc., up from £684,756 to £930,305, and cash holdings nearly £400,000 higher at £861,049. Debtor items and investments in gilt-edged securities are also slightly higher. Creditors and deposits are up by only some £300,000 to £2,562,666. Property improvement reserve has risen from £525,455 to £555,455 after a draft of £170,000 for special depreciation, and after the transfer from current profits, while there is a provision for deferred repairs of £280,000 against nil. The chairman suggests that the problem of restoring damaged property is concerning the management less than the problem of acquiring licensed premises in newly developed areas. The yield on the £1 deferred stock is £5 7s. 11d. per cent at the present price of 65s. 6d. ex dividend.

International Stores Earnings

The accounts of the International Tea Company's Stores for the fifty-three weeks to May 2nd show a further expansion in trading profit, the figures of the past three years being £794,662, £843,504 and £927,194. The chairman reveals that the last of these is after providing £60,000 for deferred repairs, but presumably repairs have, in earlier years, been carried out more promptly than is now possible. In each year, the increase is more than absorbed by rising tax requirements, including tax on dividends, but other charges show little change, and the dividend is maintained at 12 per cent in all, while the percentage earned on ordinary capital has risen from 23.5 to 24.8, and 25.2 last year. This permits in each year a contribution of £100,000 to reserve, and on the latest occasion an increase in the carry forward from £119,062 to £121,450. The consolidated balance-sheet shows a modest decline in fixed assets. No adjustment has been effected for damage to properties, provision having been made for war damage contributions. The excess of liquid assets over current liabilities is up by £178,568 to £2,468,853. Government securities are higher by £640,588, and stock in trade by £265,917, while cash and debtors show falls of approximately half these two sums, respectively. Although no benefit accrues to the shareholders from the expansion in profit, the fact that it arises from an increase in turnover is sufficiently remarkable, and is in direct conflict with the view expressed by Mr. Guy Collier, the chairman, a year ago. This, he explains, is due largely to food sent under Lease-Lend by the USA. It is also due in part to the additional week covered by the accounts. Mr. Collier has a good deal to say about the properties of the group, and points out that the specially created subsidiary, ITS Properties Development Company, has been wound up, and its assets reabsorbed by the parent on account of the legislation, "almost confiscatory in its effects on the owners of properties," which the war has brought. The report had no effect on the 5s. ordinary shares, which at 13s. yield £4 13s. 6d. per cent.

Great Universal Stores

Changes in the retail trade, for which war conditions are responsible, are proving definitely favourable to Great Universal Stores, which reports a rise in consolidated earnings from £489,001 to £685,602, and in the earnings of the company from £328,236 to £493,994 in the year to March 31st last. After an interim payment of 5 per cent, less tax, the directors are distributing a final dividend of

7½ per cent, tax free, so that the total ordinary payment is raised from 12½ to 20 per cent, less tax. Despite this increase, it is possible to place £22,000 to general reserve, against nil in the two previous years, and to raise the carry forward of the group from £32,744 to £72,378. The main increase in disclosed expenses is a jump in tax provision from £246,346 to £395,214.

	Years ended March 31,		
	1940	1941	1942
<i>Consolidated Figures</i>			
Trading profit.....	480,943	489,001	685,602
Depreciation.....	61,545	53,093	37,501
Deb. Interest & Sinking Fund	41,012	55,435	48,419
Fees.....	4,500	4,708	3,708
A.R.P. Expenditure.....	10,318	...	...
War Damage Contribution...	...	20,414	8,049
Taxation.....	243,516	246,346	395,214
Preference dividends*	39,947	36,024	31,077
Ordinary shares:—			
<i>Earned</i>	80,105	72,981	161,634
<i>Paid</i>	79,375	64,373	100,000
<i>Earned %</i>	12.6	14.1	32.3
<i>Paid %</i>	12½	12½	20½

General Reserve.....	...	...	22,000
Carry forward:—			
Of subsidiaries.....	2,719	23,081	63,230
Of G.U.S.....	21,417	9,663	9,148

* Including shares of subsidiaries not held in the group. † Including change in carry forward of subsidiaries. ‡ 5 per cent. less tax, plus 7½ per cent. tax free. § On present capital doubled by bonus in 1940.

The secret of the improvement is not disclosed by the chairman, Sir Archibald Mitchelson, other than by reference to the wide geographical spread which the group possesses, and to its pioneer work in the production of utility furniture. It is clear, however, that war conditions do favour the chain store against the one-man shop, and, indeed, any form of retailing where quick turnover can still be combined with low profit margins, in spite of rationing. The consolidated balance-sheet shows little change in the movement of net liquid assets, which are up from £1,639,396 to £1,662,160. The company's balance-sheet shows a decline in net loans to subsidiaries and sub-subsidiaries from £403,617 to £347,496. Stocks of the group are slightly lower at £1,390,581, against £1,406,476, the decline being reflected in a rise in cash and gilt-edged stock from £299,884 to £519,702. The 5s. ordinary stock, at 12s. 3d., ex dividend, yields £8 3s. 3d. per cent, less tax, a level which does not imply great confidence that the present rate of dividend can be maintained.

Industry and Trade

U S Steel Mission

In pursuance of the policy of allocating the resources of the United States and Great Britain to the best advantage and of pooling technical information, the Combined Production and Resources Board has announced the appointment of an American Steel Mission to this country. The Mission is to make an exhaustive study of British methods of production control and allocation, of collecting scrap, and of the progress achieved in reducing steel consumption by substitution, simplifying design, eliminating wasteful machine operations and in curtailing civilian consumption. Further, it will inquire into the scope for an increase of production in both countries, how their steel-making capacity can be brought into better balance, what products can best be made here and in America, and whether it would be desirable to send more ingot steel and less finished weapons from America to Great Britain or the reverse. The wide scope given to the Mission is an indication of the magnitude of the spadework still to be done if the steel industries of the two countries are to be integrated for war. It is understood that a British Steel Mission with similar functions may be sent to the United States when the American Mission has completed its task.

Re-opening of Closed Shipyards

The urgent need for merchant ships has recently led to a recrudescence of criticism of the shipbuilding in-

dustry's decision to reduce excess capacity by the closing of redundant yards during the depression of the early 'thirties. The industry can hardly be blamed for not taking into account strategic needs which are the responsibility of the Government. In any case, as the Admiralty recently announced, twenty-three of the yards closed down by National Shipbuilders' Security, Ltd., have since been reopened, a few of them actually before the war. Some of the yards have been developed as separate ship-repairing establishments or incorporated in an existing repairing unit, and in twelve cases the old site is now in use for the purpose of building various types of craft, including vessels exceeding 10,000 tons deadweight. A further yard is now being prepared for the construction of the larger vessels and another is under consideration for reopening. The Admiralty pointed out that it has been its policy to provide additional berths and plant "in most ample time ahead of the likely labour supply." In fact, the main difficulty appears to have been a



shortage of labour rather than a shortage of plant and materials.

Coal Economy in Steel Industry

The problem of coal economy in industry has a particular as well as a general aspect, and there is a danger that the manufacture of war munitions itself may suffer from reduced supplies of suitable coals. At the request of the Mines Department, the British Iron and Steel Federation early this year investigated the possibilities of effecting improvements in fuel consumption, with special reference to the Sheffield area; in the report prepared by panels appointed to examine fuels, steam generation and utilisation, and furnaces and control, it is emphasised that while there is undoubtedly scope for economies, it is becoming increasingly essential to keep the industry supplied with the coals most suitable for the various processes of manufacture. A striking fact revealed in these reports is that it is common to find that 30 per cent, and sometimes even 50 per cent, of the steam generated is wasted after it has left the boiler stop valve, and that of this loss roughly 50 per cent might be attributed to worn or faulty valve gear. Suggestions have been made for the prevention of this leakage, and the view is expressed that "considerable economies, in most cases at least 10 per cent, would follow the appointment of a fuel officer definitely responsible for fuel control." In recent years, the industry has devoted considerable attention to the subject of the efficient utilisation of fuel, and large economies have already been effected. Thus, in 1913 the coal consumption of its blast furnaces was 21.2 million tons with a pig iron output of 10½ million tons, and that of other iron and steel works 10.2 million tons for a steel ingot production of approximately 7.7 million tons. In 1937, however, the blast furnaces produced 8½ million tons of pig iron with a coal consumption of only 14½ million tons, and steel and other ironworks 13 million tons of ingots and castings with a coal consumption of less than 9 million tons. It is complained, however, that since the war the task of maintaining production has been handicapped by a deterioration in the quality of coal supplied. The case is mentioned, and stated to be typical, where the coal delivered to the works contained at least 4,000 tons more ash per annum than before the war, involving a corresponding waste in transport and aggravating the labour problem. In the light of these and other considerations, it has been recommended that every effort should be made to maintain the delivery of such qualities of coal as have been found necessary in the light of long experience; that if the use of other fuels became unavoidable every endeavour should be made to inform consumers of the qualities of the coals allocated to them; that the commercial size names of coal should be rationalised; and that every effort be made to remove as much ash as possible at the pithead. Similar considerations apply to other coal-using industries, and it would appear, therefore, that in the future conduct of its economy campaign the Ministry of Fuel and Power must seek saving in consumption primarily and chiefly among the inferior classes of coal.

Unemployment

The number of unemployed registered at employment exchanges in Great Britain on July 13th was 107,005—825 more than a month earlier. The increase was accounted for by the greater numbers of men, boys and girls wholly un-

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN

	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment
June 15, 1942			
Men	54,097	1,846	2,994
Boys	8,669	15	8
Women	28,758	1,715	255
Girls	7,716	94	3
Total	99,240	3,670	3,260
July 13, 1942			
Men	55,953	1,710	2,173
Boys	10,163	18	7
Women	26,767	1,431	124
Girls	8,553	105	1
Total	101,436	3,264	2,305

employed. The increase in the wholly unemployed was 2,196, in spite of a drop of 1,991 in the number of women in this section. There was a substantial decrease, amounting to nearly 1,000, mainly among men, in unemployment among persons normally in casual employment. The increase in unemployment was concentrated in Scotland and in the North-Western region, with a slight rise in the Midland region. It may, therefore, have been due to local conditions prevailing on the day of the count which are not necessarily recurring. So far as boys and girls are concerned, the rise in the figures was due to the registration of school-leavers. Including women in the 1899 age group, who registered last Saturday, eight millions have now registered under the Registration for Employment Order. The Minister of Labour has made the Essential Work (General Provisions) (No. 2) Order, which consolidates previous general provisions Orders and amendments, and makes further regulations of minor importance. The Order has been applied to certain undertakings in the clothing industry. The Ministry has recently issued a leaflet on part-time work for women designed to stimulate the employment of women in this way and to encourage recruits. The reservation age in building and civil engineering occupations has been raised to 41, but it is not proposed to call up these men for the Forces at present for reasons given on page 201.

Retail Trade

The Board of Trade Journal for August 8th contains the retail trade report for June and the Bank of England's index numbers of the average value of daily sales. In peacetime, a fall in the index between May (if Whitsun falls in that month) and June of five to ten per cent is expected. This year the decline in the index (1937 = 100) was only from 109 to 108. The food component of the index declined sharply, from 119 to 111, and other merchandise moved in the opposite direction, from 98 to 106. Compared with June last year, sales of food and perishables rose by 4.2 per cent, and other merchandise showed a negligible rise of 0.8 per cent. The release of coupons for the new clothes rationing year caused apparel sales to rise from 101 in May to 116 in June. In May, 1941, the index stood at 124 and fell to 110 in June. Figures for various departments are shown in a table on page 224. Since last August the movement of the value of apparel stocks has been calculated and is given in the following table:—

	Dress Materials	Women's Wear	Men's and Boys' Wear	Boots and Shoes
1941 -				
August	100	100	100	100
September	99	104	103	103
October	97	103	102	103
November	94	103	105	107
December	90	90	97	90
1942 -				
January	82	83	91	97
February	82	87	94	97
March	95	93	95	98
April	97	97	94	91
May	99	102	98	98
June	95	103	96	80

The outstanding decline in stocks of boots and shoes may be due to the high level of sales. Compared with a year ago, the value of stocks of all non-food merchandise fell by 5.1 per cent. The only rises were in women's wear (1.4 per cent), fancy departments (5.3 per cent) and miscellaneous (0.7 per cent). The rise in value of fancy department stocks may be a reflection of the rise in prices rather than any increase in volume.

War Damage Repairs

In order to prevent haphazard reconstruction and non-essential repairs in blitzed areas, it has become customary, among local authorities, to make use of Section 7 (2) of the War Damage Act, 1941, whose object is to ensure that payments by the War Damage Commission shall have regard to the public interest. The usual procedure is for the local authority of a blitzed area to apply to the War Damage Commission, asking it to issue notices specifying upper limits to the expenditure on individual properties which it will re-imburse under the Act. Persons desirous of executing repairs exceeding the specified upper limit

(Continued on page 219)

COMPANY MEETINGS

UNITED SIA BETONG RUBBER ESTATES, LIMITED

RUBBER SUPPLIES TO THE U.S.A.

SIR JOHN HAY'S STATEMENT

The thirty-third annual general meeting of the United SIA Betong Rubber Estates, Limited, will be held in the Council Room of the Rubber Growers' Association, 19, Fenchurch Street, London, E.C., on Tuesday, the 18th instant.

Sir John Hay, in his statement to stockholders to be submitted at the annual meeting, briefly reviews the company's affairs and then proceeds to deal with the question of rubber supplies to the U.S.A. with particular reference to "The Truman Report."

THE TRUMAN REPORT

At the last annual general meeting I had occasion to say something regarding the special efforts that were then being made to increase supplies of rubber to meet the abnormal war demands of ourselves and our Allies, and particularly for building up a large reserve stock in the U.S.A. The fall of Malaya and the Netherlands East Indies was a contingency which was evidently regarded as too repellent seriously to contemplate and provide against, and consequently the measures taken for accumulation of stocks and for their conservation have proved inadequate to meet a situation under which we are totally cut off from the main sources of supply of rubber. This serious problem in all its military and civil implications has aroused widespread concern in the U.S.A., and has been made the subject of investigation by a Senate Committee, which has recently issued their Report come to be known as The Truman Report. According to this Report, the purpose of the Committee was primarily "fact finding, not fault finding." Its object was "to release to the public as much of the truth as possible without giving comfort to the enemy," in the belief that "co-operation of an informed public is much more important than the pretence of keeping from the enemy information so generally known in the trade." The Committee, no doubt by way of disposing of captious criticism, observes drily that "hindsight is always better than foresight," and after bringing under frank review the evidence heard, reaches certain findings.

Viewed from our angle in one particular respect, its findings seem rather less than fair. Unlike the other parties concerned, the International Rubber Regulation Committee and the British and Dutch Rubber Producers were singled out for special criticism without any evidence having been called on their behalf. Subject to limitations of space available and of the reticence seemingly to circumstances, I shall endeavour to answer very briefly the criticisms directed against us, and at the same time touch upon matters affecting the future of the rubber plantation industry. I hope, too, that I shall succeed in helping to promote further the Report's declared object, namely, "to release to the public as much of the truth as possible."

An American official testified before the Committee that from statistics that were available it appeared that in either 1940 or 1941 the railroads covered 25,000,000,000 passenger miles, the buses 15,000,000,000 passenger miles, while the passenger miles travelled by private automobiles were estimated at not less than 200,000,000,000. As Mr. Knudsen succinctly observes, it is truly a country where "everyone wants to go somewhere sitting down." Menton is also

made of an instance where, out of 30,000 employees in a factory engaged upon urgent defence work, only 350 travel by means other than automobile. What rubber means to the U.S.A. is aptly summarised in this sentence of the Report: "Rubber . . . cuts into the way of life of millions of our citizens." If we bear in mind that in addition to these enormous civil requirements there is the growing and urgent need for rubber in the manufacture of defence equipment, we begin to form some idea of what a rubber shortage implies to the U.S.A. in the present circumstances. The problem is not merely an economic one, but also has a social and political significance. And it is against that background we must consider with sympathy and understanding the matter of rubber supplies to the U.S.A.

The Truman Report states that the three principal causes behind the partial failure of the Stock Pile Programme were:—

1. The Quota restriction of the International Rubber Regulation Committee.
2. Failure to take full advantage of shipping facilities.
3. The most important reason. Industrial consumption was permitted to absorb most of the rubber brought into the country; the loss of vital stocks might have been prevented had there been a central authority to deal with the situation.

Shipping was provided and managed by the U.S.A., certainly as far as British territories were concerned, and therefore 2 as well as 3 are domestic matters, and they are admitted to be the main causes of the partial failure.

A REPLY TO CRITICISMS OF THE INTERNATIONAL RUBBER REGULATION COMMITTEE

As regards No. 1, it is stated that efforts were made by the International Rubber Regulation Committee to obtain "monopolistic profits for the Far Eastern producers at our expense," and, as a result, American stock piles decreased to very low levels.

Over the period June, 1934, to August, 1939—that is, from the commencement of the present regulation scheme until the outbreak of war—there was exported from all territories very nearly 5,000,000 tons of rubber at an average price per lb. of 7.35d., or 15 U.S.A. cents. The average cost of production to our own company over that period is calculated to be 9.83 U.S.A. cents per pound, including the cost of some replanting, but excluding any allowance for amortisation, and the average profit earned on the capital employed in the business was less than 6 per cent, out of which we had to provide for obsolescence and taxation and set aside the sums to reserve which general prudence dictated. The net average sum left for distribution to Stockholders was therefore extremely modest. To the average producer the result was much less favourable. If our efforts were to obtain monopolistic profits, then these efforts were indeed feeble, and failed lamentably in their purpose; but that, of course, was never our purpose. Our object was to equate supply to demand, to introduce a measure of stability into the price and prevent, if possible, the excesses of shortages and surpluses which prove so unprofitable in the end to producer and consumer alike. The criticism that might be directed against us was that in our eager-

ness to please our main consumer and to avoid giving cause for criticism, we kept the price at a level which was barely profitable to the average producer. There could be no dispute about the fact that the extent of the American manufacturers' stocks was a matter which they determined for themselves according to their interests, and had they chosen to increase their stocks rather than decrease them, more rubber would have been readily released at a moderate level of price.

But these are somewhat distant events, and I am more concerned to justify our actions under the grave circumstances of war, particularly from the time when America decided in 1940 on the policy of accumulating a stock pile against contingencies. To achieve the purpose as rapidly as possible, we sought by agreement to make only two simple conditions. First, to fix the price at such a level as would stimulate production from all classes of producers in all territories; and second, to remove apprehensions regarding the possible misuse of stocks should the contingencies against which they were being provided never arise. It is not only inaccurate, but also irrelevant, to state, as the Report does, that large plantations produced rubber at about 7 cents a pound, while the native could produce it at 3-4 cents a pound. To produce the rubber necessary for current requirements and at the same time accumulate a stock, it was essential to bring in every class of producer, whatever his category, and that could only be done by fixing the price at a level which was profitable to every producer. The price, in fact, was fixed at 18½ to 20 cents per pound c.i.f., despite the fact that prior to that it had risen to 25 cents. But for the fixation of price at this moderate level, the price under the increasing urgency of demand would have risen far higher. In other words, the effect of the agreement on price was to protect America against the rise which would have otherwise occurred, and not to protect the producer against a fall which, in the circumstances, could never have occurred. It is significant that since the fall of Malaya and the Netherlands East Indies it has been necessary to increase the price by at least 25 per cent. to the territories still operating under the scheme; but more significant is the statement made in the Truman Committee Report, namely, that on March 3, 1942, an agreement was signed by the Rubber Reserve Company and the Brazilian Government for the purchase of all Brazilian exportable rubber up to December 31, 1945, at 39 cents f.o.b., which is equivalent to more than double the price given to the Eastern producer, and in addition to that a system of bonuses has been established for production in excess of the given amount, and a fund of \$5,000,000 for the encouragement of production.

The extent of the stock pile and the time by which it should accumulate were matters which were quite naturally and properly settled by the U.S.A. authorities and were not determined by the Regulation Committee; but once determined and agreed upon, the Committee, backed by producers of all the territories, gave full support and willing and active co-operation. In the circumstances then existing in the producing territories, it was essential to succeed that approach to full production should be made by stages, but it was only after a lapse of a few weeks after the first agreement became fully operative that permitted export was raised to 100 per cent. A very important fact not mentioned in the Truman Report is that all decisions on the matter of export releases were made on the advice and in full agreement with the American representative on the Panel of Consumers. In the period December, 1937, to November, 1939, total exports from all territories were 1,891,000 tons, of which 925,000 tons were exported to the U.S.A., or 49 per cent. of the total. From December, 1939, to November, 1941, the period over which the stock pile was being accumulated, total exports were as high as 2,909,000 tons, of which no less than 1,880,000 went to U.S.A., or 65 per cent.

of the total. This enormous increase in volume of production and export was accomplished in circumstances of great difficulty, the details of which I cannot now enter upon. By way of example, I might mention that in our own particular case, out of a staff of 28 Europeans, only about 10 were available to us over long periods, the rest being on military training, to supervise the operations of a labour force of over 7,300 over an area of nearly 40,000 acres, and that at a time when the chief producing territories were subjected to recurring and increasing threats of attack, producing unrest and disturbance in the labour forces.

THE RUBBER REGULATION COMMITTEE VINDICATED

From the foregoing figures read in conjunction with the facts briefly mentioned here, the only fair conclusion that can be drawn is that in the time and circumstances production and exports were raised to and maintained at the highest level practicable, and despite the urgent demands from many other territories, priority was given to U.S.A. requirements. For participation in these efforts the producers registered on this side had no commercial reward, for any surplus profit was taken from them under the operation of the Excess Profits Tax. The spirit that permeated the industry was never one of "business as usual," but one of service to the common cause.

Despite the admitted "failure to take full advantage of shipping facilities," and despite the fact that U.S.A. manufacturing companies, in the words of the Report, "indulged in an orgy of consumption," described on another page as "sky-rocketing consumption for non-defence purposes culminated in the all-time high rate of over 900,000 tons per annum," the Truman Committee are able to report that the U.S.A. became "possessed of the largest stock pile of rubber ever accumulated at any time anywhere in the world," and claims with some justification, that U.S.A. "had exercised more foresight than its Allies." That this result should have been achieved despite such faults and shortcomings, and at such moderate cost, amply vindicates the International Rubber Regulation Committee and Eastern Rubber Producers. That result also served to demonstrate that the Regulation Scheme, too commonly but quite erroneously regarded as merely a device to restrain exports, possessed all the flexibility and adaptability suitable to rapidly changing demands, and that in this instance it was used as an effective instrument of expansion. Had not such a scheme then been in existence it would have been necessary to improvise one to stimulate production and direct exports. Such improvised machinery would have functioned with all the faults and deficiencies incidental to hasty improvisation, and would have resulted in less rubber being produced at greater expense from an industry seriously impaired by unrestrained and unregulated competition.

DEVELOPMENT OF SYNTHETIC RUBBER

The vital part which rubber supplies play in the fabrication of the modern implements of war made it imperative that as soon as there was any doubt of the continuance of regular and adequate supplies from Eastern territories, other sources should be sought. Sufficient is known of the limitations of supplies of crude rubber of other territories to make it abundantly clear that the rubber shortage could not be made good except by resort to the production of synthetic rubber on a scale never hitherto undertaken. The fall of Malaya and the Netherlands East Indies underlined in a dramatic way the need for carrying out such developments as speedily and on as large a scale as possible. The major part of the Truman Committee Report relates to synthetic rubber and brings under review past investigations, the measures now being taken to meet the emergency,

and stresses the need for speedy development and increasing production. It will be the earnest wish of every one of us that the energetic and active measures now being taken for producing synthetic rubber on a large scale will be entirely successful, and that in consequence neither the Allied war effort will be hindered or handicapped, nor essential civil needs denied because of a shortage of rubber. It should be appreciated none the less that success in that direction will create a problem which will confront rubber producers in the future when they are free again to resume operations in occupied territories. An opinion regarding the probable cost of synthetic rubber must necessarily at this stage be highly speculative. On that point the Truman Committee expresses itself thus: "We can expect that the cost of producing synthetic rubber will ultimately be lower than the average price we have been forced to pay in the past for natural rubber." Speaking before the Senate House in May last, the Hon. Harry S. Truman expressed himself as follows: "I am just as sure as that I am standing here, that if we go into the synthetic rubber programme as we should, and use all the brains which this country is capable of producing, when we come out of the programme we will have synthetic rubber which will be on such a basis that it will forever compete with natural rubber."

I should have liked from this point to have proceeded to consider this important and necessary development of synthetic rubber and its probable effect upon the Eastern plantation industry, but that is a subject which I must postpone until another occasion. I shall make only one final observation. I have too pleasant a recollection of the friendliness which was extended to me when I visited the United States in 1940 and again in 1941, to have entered upon a review of the Truman Committee's Report in any spirit of contention or even of debate. There is nothing unfriendly implied in a frank reply to criticism; on the contrary, I believe it is only by a frank exchange of views that we can reach that friendly understanding the maintenance of which is of such supreme importance in the present crisis and which will continue to be no less important if we are to co-operate successfully together in dealing with the many complex and difficult problems arising out of a war affecting profoundly all continents and every country.

MILLARS' TIMBER AND TRADING COMPANY, LIMITED

The fortieth annual general meeting of this company was held, on the 10th instant, at Winchester House, E.C., Lt.-Colonel Clive E. Temperley, O.B.E., M.C., B.Sc., presiding.

The following are extracts from the chairman's statement circulated with the report and accounts: The investment in our Philippine subsidiary is now in enemy-occupied territory. This stands in our books at £150,251, but a substantial part of the assets of this subsidiary being British Government loans and cash is in Great Britain and the United States of America. The Philippine subsidiary earned a very satisfactory profit during 1941, the best for several years, but in view of all the circumstances, no part of this profit has been brought into our accounts. The liquid positions of the company and its subsidiary companies remain satisfactory.

Taxation has again made a serious inroad upon the profits available for distribution to the shareholders. The exact liability cannot yet be determined, but an estimate based on existing legislation makes it appear that £110,000 will be payable, and provision for this has been made. Taking our business as a whole, trading so far in the current year has been fairly well maintained.

The report and accounts were adopted.

RICHARD THOMAS AND COMPANY, LIMITED

RESUMPTION OF ORDINARY DIVIDENDS

The ninety-third ordinary general meeting of Richard Thomas and Company, Limited, was held in London on the 12th instant, Mr E. H. Lever, the Chairman, presiding.

In his speech the Chairman drew attention to various changes on the balance-sheet designed to show more clearly the financial position. The balance of excess expenditure incurred many years ago at Redbourn amounting to £1,106,035 had now been written off against a corresponding amount from general reserve. In addition, the old coke ovens now demolished at Redbourn which last year stood in the books at £200,000 had been completely written off by supplementing ordinary depreciation by a special allocation of £100,000 and sundry capital profits.

The sum of £500,000 had been invested in the new Tax Reserve Certificates to meet accruing liabilities for taxes. Part of this amount had been provided by the realisation of the investment made last year in National War Bonds.

WAR DAMAGE LIABILITY

Full provision had been made for war damage liability which was substantially less than in the previous year.

The prior lien debenture stock and first mortgage debenture stock had been redeemed to the extent of £248,655 and £189,286 respectively. After careful consideration of the financial position the board had decided that it was not in the interests of the company to call up the unissued balance of the prior lien stock and this balance, amounting to £864,803, had therefore been cancelled.

No credit had been taken for any refund of Excess Profits Tax that might become due after the war.

With regard to the resumption of dividends the board hoped to continue the practice of paying the fixed preference dividend half yearly, and when this fixed dividend became cumulative at the end of the current financial year to make the payments thereafter on the scheduled dates October 1st and April 1st.

The board considered that the recovery in the financial position now justified a resumption of dividends on the ordinary share capital and they were recommending a payment of 5 per cent., less tax; the payment of this ordinary dividend would under the articles of association entitle the preference shares to a further dividend of 3½ per cent.

In conformity with war-time practice no detailed information could be given about the operations of the company, but so far as the current year's trading was concerned there was no reason to expect any marked change in the company's financial position.

GENERAL POLICY

It was the policy of the board to do everything possible to derive the utmost benefit from Ebbw Vale; despite war difficulties they had succeeded in materially increasing the output from that plant while maintaining quality of product and economy in production costs.

In the course of their present activities when the national interest seemed to clash with the immediate financial interests of the company they had not hesitated to put the national interest first.

With regard to the future the board considered it imperative that the company was to play its part in assisting post-war recovery of trade they must strengthen the financial position of the company and maintain strong liquid reserves.

He again desired to pay a tribute to the work of their managing director, Mr G. H. Latham, their deputy chairman, Mr J. E. James, and the directors and officials. To their staff and workpeople of every grade, he once again extended their grateful thanks and good wishes.

The report was adopted.

HUDSON'S BAY COMPANY

SUBSTANTIAL INCREASE IN REVENUE

The 273rd annual court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held, on the 7th instant, in London.

Mr Patrick Ashley Cooper, the governor, presided, and in the course of his speech said: The revenue side of the profit and loss account totals almost £950,000, an increase of nearly a quarter of a million pounds as compared with last year. This figure is one of the largest, if not the largest, for revenue receipts in the history of the company. In the past such results would have been followed by the distribution of a large dividend, but in consequence of the times in which we live no less than £711,000 has had to be provided for taxation in the United Kingdom and Canada. This is in addition to the municipal and other taxes on real estate.

And now let me say a few words about the future. So far we have no reason to be dissatisfied with the current year; but it is only half way through, and the second half of the year is always more important from the point of view of our final results. The maintenance of profits at their present high level is, of course, unlikely, and whatever the profits may be the burden of taxation, so long as the war lasts, is likely to become greater rather than less.

There is, however, one overriding reason for my closing on a note of subdued and conservative optimism. Whatever may be the actual results of one year as compared with another, whether dividends are greater one year than they are in another, I believe

(Continued from page 216)

must first notify the Commission, which, in turn, will consult the local authority concerned to ensure that the proposed works conform to its plans and are in the public interest. Where permission is granted, the Commission is empowered to impose conditions about the nature of works, the materials to be used, and the time for their execution. The scheme is a flexible one in its application, for the upper limits of expenditure vary not only from area to area, but are subject to change within any given area. A local authority may even decide that no work should be done at all in any one area without prior notice to the Commission. Examples of its use were given by notices issued by the War Damage Commission in the *London Gazette* on July 31, in respect of the county boroughs of Tynemouth and Southamton. The notice relating to Southamton specifies that any person proposing to execute works for the repair of war damage, other than temporary works, whose ultimate cost will exceed £100 on any one hereditament, must first inform the Commission; it cancels a similar notice issued a year ago which fixed an upper limit of £1,000. The scheme enables local authorities to exercise effective control over repairs and reconstruction in their areas.

American Cotton Crop

The first estimate by the United States Government of the cotton crop for the 1942-3 season has caused surprise; the figure of 13,085,000 bales, with a yield of 266.7 lbs. per acre, is larger than expected, and compares with a crop of 10,744,000 bales last year. During the past few weeks very favourable advices have been received about the condition of the plants, but it was not expected that the official forecast would exceed 12,500,000 bales. The publication of the official estimate caused an appreciable fall in prices on the New York market. The Liverpool futures market has been closed for over twelve months; had it been open there would have been excitement and speculation, which might have had an adverse effect upon trade in yarn and cloth. Since the beginning of this year there has been a decided improvement in raw cotton stocks in this country. Although most of the larger imports have been Egyptian and East Indian descriptions, receipts from the United States have been more encouraging than for a long time past.

that never was the underlying position of the company stronger than it is to-day.

The report was adopted and resolutions were passed approving a dividend of 3 per cent. and a further 2 per cent. on the ordinary shares from the proceeds of land sales, and also the proposed further repayment of preference capital.

McDOUGALLS TRUST LIMITED

RECORD RESULTS

MR KENNETH MOORE'S STATEMENT

The ninth annual general meeting of McDougalls Trust Limited, was held on Wednesday, 12th instant, in London.

Mr Kenneth A. E. Moore (chairman of the company) presided.

The following statement by the chairman had been circulated with the report and accounts and was taken as read:—The operating company—McDougalls Limited—has again had a busy and successful year in spite of difficulties in connection with packing materials, transport, shortage of labour, etc. Up to the present they have been surmounted, but they continue to be a constant source of anxiety to the management and are not likely to grow less in the current year.

Once again all production, sales, and profit records were broken. The profit of £254,949 shown in the accounts of McDougalls Limited, is arrived at after making a substantial provision for Excess Profits Tax and contingencies, which is reflected in the increased figure appearing in the balance-sheet under the head of "Credi-

tors and Accrued Charges, including provision for current taxation and contingencies."

You will see from a note on the face of the balance-sheet that the accounts are subject to adjustment by reference to the terms of the agreement recently concluded with H.M. Government in relation to the control of flour mills. This agreement covers the three years ending September 3, 1942, but it has not yet been possible to determine the extent to which it will affect the figures of the last three financial years. Having regard, however, to the cushioning effect of the amounts already reserved for Excess Profits Tax and contingencies, it appears unlikely that the net profits of McDougalls Limited, as shown by the accounts of the last three years will be materially affected.

DIVIDEND MAINTAINED AT 10 PER CENT

It is for this reason that the directors have felt able to transfer to McDougalls Trust Limited, the same amount by way of dividends as for the six previous years. This enables the directors of McDougalls Trust Limited, to recommend that the total distribution on the ordinary shares be maintained at 10 per cent. for the year ended June 30, 1942.

Apart from the foregoing remarks the accounts do not call for any comment on my part. The figures reflect the great and useful activities of the business in keeping the housewife well supplied with McDougalls Self-Raising Flour wherewith to augment rationed foods by home cooking, and thus to maintain a palatable and satisfying war-time dietary.

The report and accounts were unanimously adopted.

Inquest on Rubber

The loss, by the United Nations, of their main sources of natural rubber, and the inadequate provision made for this contingency by the accumulation of stocks, and by the timely provision of synthetic rubber-producing facilities, have given rise to a good deal of concern. As usual in such circumstances, it has been asked why adequate precautionary measures had not been taken. In the United States a committee of the Senate recently carried out a special investigation to ascertain the causes of the apparent lack of foresight. In its report—the so-called Truman Report—the committee gave three major reasons: civilian industry was allowed to absorb too much rubber before Japan's entry into the war; insufficient use was made of available shipping facilities; the export quota system of the International Rubber Regulation Committee tended to restrain shipments. In a statement to the stockholders of United Sui Betong Rubber Estates, Limited, the chairman, Sir John Hay, who visited the United States in 1940 and in 1941 on behalf of the IRRC to discuss the terms of the agreements enabling that country to import large quantities of rubber as a reserve against a stoppage of imports, vigorously defended the IRRC's price and quota policy before Pearl Harbour. He pointed out that prices had to be fixed at a level which would bring forth the additional quantities of rubber needed to meet America's reserve requirements. True, the figure of 18½-20 cents per lb, c.i.f., was very profitable to the low cost producers, but British concerns, being subject to EPT, were not able to retain profits in excess of the pre-war level. Sir John Hay pointed out that in the absence of a fixed price the heavy demand for rubber before the war would have driven it up well above 20 cents per lb. So far as export releases were concerned, he said that these were made on the advice of, and in full agreement with the American representative on the panel of consumers. As Sir John Hay rightly remarked, the real reason for the failure to accumulate larger stocks is probably to be found in the fact that the loss of the whole of the far-eastern sources of supply was hardly contemplated. In any case, the search for scapegoats is an unprofitable one at this stage, when every effort should be made to avoid a shortage of rubber for essential purposes by eking out existing supplies of natural rubber and by speeding up the production of synthetic rubber.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

REPORTS of allied offensive operations in the Pacific tended to offset the news from Russia, while the measures taken to counter the Congress campaign in India helped market sentiment to improve after a rather dull opening. Markings were rather increased at around 3,300 markings daily. Prices were generally steady throughout most sections, apart from some weakening of stocks with Indian interests and a fall in kaffir issues at the opening of the week, main interest continuing to centre on industrial equities. The few changes in the gilt-edged market were small and without significance, activity in this section showing little improvement on the previous week's low level. The undertone, however, has remained distinctly firm throughout. In the foreign bond market, South American stocks were less generally strong, but support in the current week was sufficient to offset some light profit-taking in Brazilian and to raise Mexican issues appreciably. The announcement that payments were to be resumed on the Paraguay loans resulted in a sharp marking-up of those stocks, the 3 per cent issue jumping several points. The home rail market was without interest, and, in the absence of support, both junior and preference stocks tended to ease slightly early in the week, but midweek witnessed some slight improvement. Absence of any marked movement in the foreign rail market reflected the generally quiet conditions prevailing, while elsewhere Canadian Pacific ordinary was firm on quiet support.

preference and ordinary issues. Fine Spinners and Courtaulds all enjoying small gains, while Patons and Baldwins was outstanding with a rise of 1s. 3d. on the week. Stores shares were quiet without any particular feature, "Gussies" improving slightly on the annual report. Tobacco stocks were in demand, BAT rising 3s. on the week and Imps $\frac{1}{2}$ over the same period. In the miscellaneous section, both Brazilian Traction and International Nickel continued in favour, while "Emmies" and Dunlop were supported. Murex and Turner and Newall were both prominent, with good gains in midweek.

The kaffir market opened the week with a general decline on the rumour of the probable 10 per cent. cut in output, but some Cape support on a denial of the report later occasioned a rather firmer tendency. Tea shares were marked down slightly on the Indian news, although there was no pressure to sell. In the rubber market, conditions were dull, Labu losing $\frac{1}{2}$ on Tuesday while United Sua Betong eased $\frac{1}{8}$. There was a distinct improvement in the oil market after a dull opening, and leading issues reflected light support with small advances. Shell was firm, rising $\frac{3}{8}$ on the week, while Ultramar fluctuated slightly, but advanced 1s. over the same period.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List †	Corres. Day 1941 \$	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Aug. 6.....	3,558	3,158	81.6	133.4
" 7.....	3,265	3,271	81.7	133.4
" 10.....	3,857	3,166	81.4	133.2
" 11.....	3,324	3,680	81.5	133.2
" 12.....	3,323	3,218	81.8	133.5

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 81.8 (Aug. 5); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5). ‡ New basis in S.E. List. § Old basis.

Turnover in the industrial market was well maintained, markings averaging some 1,000 daily, while among leading equities prices tended upwards. Brewery shares were firm throughout, Guinness rising 1s. 9d. at the week-end, while Benskins and Distillers both registered rather smaller advances, although Watney deferred was subject to some realisation after the recent advance. Among motor issues, Ford improved on the annual report, but Rolls-Royce fluctuated narrowly. The heavy industrial section enjoyed a slight but fairly general improvement, Baldwins and Guest, Keen among others advanced, while colliery issues were also supported. Indian Iron, which weakened on the initial reports from India, partially recovered in midweek. The shipping group remained firm throughout, Clan Line advancing sharply at the week-end, while Cunard and P. & O. deferred both improved. Textiles issues were firm on continued support, both British Celanese

New York

In view of the critical situation in Russia and India and of the absence of definite news from the Solomon Islands, the general stability displayed on Wall Street is remarkable. At last week's close, markets were quiet and irregular, with turnover falling daily, but there was no land-slide in prices. This week has shown a firmer tendency with an increased demand for selected steel and rail issues, raising a number of prices fractionally. Technical conditions appear to favour a more general improvement, but this remains virtually out

COMMODITY AND INDUSTRY NEWS

Traction Gas Bags Standardisation.—The British Standards Institution has issued specifications relating to fitting valves and hose connections for traction gas bags. The object of standardisation is to ensure interchangeability between the connections on motor vehicles and on the supply pipes at filling stations.

E.W.O.—The Essential Work (General Provisions) (No. 2) Order, which is a consolidating Order, provides for some new principles. For the purpose of calculating wages in order to make up the guaranteed wage, overtime or Sunday work is to be

reckoned only to the extent of ordinary rates. Workers will not be disentitled to the guaranteed wage for the time spent in attending appeal board hearings if their appeals against suspension or dismissal are successful. If temporary employment is obtained between suspension or dismissal and reinstatement, any difference between the guaranteed wage and the amount so earned may be claimed by the worker.

Board of Trade Accountant.—The President of the Board of Trade has appointed Mr R. E. Yeabsley, who is a chartered accountant, to be his adviser on account-

of the question until the military situation improves. The basis of market sentiment remains a steady, if slight, investment demand.

STANDARD STATISTICS INDICES

(1935-36=100)

WEEKLY AVERAGES

	1942	July 22, 1942	July 29, 1942	Aug. 5, 1942
	Low April 29	High Jan. 14		
347 Industrials.....	62.4	75.0	71.8	69.9
32 Rails.....	58.4	71.0	64.2	63.9
40 Utilities.....	53.1	67.4	59.0	58.2
419 Stocks.....	60.8	73.3	69.4	67.7
Av. yield*.....	8.40%	6.72%	6.79%	7.00%

* 50 Common Stocks.

(a) Jan. 7. (b) Feb. 4. (c) July 15. (d) June 24.

DAILY AVERAGE OF 50 COMMON STOCKS

July 30	July 31	Aug. 1	Aug. 3	Aug. 4	Aug. 5
86.3	86.9	86.9	86.9	86.7	85.9

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Total share dealings: Aug. 6, 249,000;
Aug. 7, 212,000; Aug. 8*, 101,000;
Aug. 10, 210,000; Aug. 11, 259,000;
Aug. 12, 283,000.

* Two-hour session only.

Capital Issues

Week ending August 15, 1942
To Shareholders only... Nil
Particulars of Government issues appear on page 221

Year†	Including Conversions	Excluding Conversions
1942.....	998,057,687	984,394,873
1941.....	987,479,421	935,944,839

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942.....	983,990,411	349,272	55,190
1941.....	931,993,993	3,280,846	70,000

Nature of Borrowing (Conv. Excl'd.)

Year†	Deb.	Prof.	Ord.
1942.....	912,734,196	731,318	6,023,194
1941.....	931,404,157	304,460	3,636,222

† Includes Government issues to August 1, 1942, only. Above figures include all new capital in which permission to deal has been granted.

tancy matters relating to price control under utility schemes. Mr. Yeabsley will continue in his position as accountant to the Central Price Regulation Committee.

Fireclay Control.—Fireclay and silica refractories are now controlled as part of the Chrome Ore, Magnesite, Walfarm and Foundry Bonding Materials Control under the Ministry of Supply. Mr. H. Halliday has joined the Control as Director in charge of these materials.

(Continued on page 224.)

Finance

GOVERNMENT RETURNS

For the week ended August 8, 1942, total ordinary revenue was £47,325,000, against ordinary expenditure of £88,362,000, and issues to sinking funds of £150,000. Thus, including sinking fund allocations of £2,902,965, the deficit accrued since April 1st is £1,014,619,000 against £1,068,316,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	April 1 to Aug. 9, 1941	April 1 to Aug. 8, 1942	Week ended Aug. 9, 1941	Week ended Aug. 8, 1942
ORDINARY REVENUE					
Income Tax.....	913,000	127,066	200,861	4,883	5,976
Sur-tax.....	78,000	10,028	9,690	300	410
Estate, etc.,					
Duties.....	90,000	34,926	35,241	1,384	1,648
Stamps.....	15,000	3,831	4,440	...	...
N.D.C.....	425,000	6,583	9,193	520	385
E.P.T.....	1,000	64,804	9,441	4,740	5,287
Other Ind. Rev.		155	240	...	...
Total Ind. Rev.	1522,000	247,398	351,106	11,827	13,706
Customs.....	438,295	120,226	157,158	7,942	13,347
Excise.....	366,705	110,666	147,200	13,754	11,220
Total Customs & Excise.....	805,000	231,592	304,358	21,696	24,567
Motor Duties...	34,000	8,920	4,330	1,782	758
Canadian Govt. Contribution.....	225,000	...	127,849	...	4,494
P.O. (Net Receipts).....	10,000	5,350	8,500	1,100	1,500
Wireless Licences.....	4,300	...	890	...	...
Crown Lands.....	800	430	360	...	...
Receipts from Sundry Loans.....	5,000	1,768	786	...	...
Miscell. Receipts.....	21,000	20,699	35,419	300	2,300
Total Ord. Rev.	2627,100	516,157	833,598	36,705	47,325
SELF-BALANCING P.O. & Broadcastg.	102,523	32,250	34,350	1,150	1,250
Total.....	2729,623	548,407	867,948	37,855	48,575

Expenditure	Estimate, 1942-43	April 1 to Aug. 9, 1941	April 1 to Aug. 8, 1942	Week ended Aug. 9, 1941	Week ended Aug. 8, 1942
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	325,000	111,491	124,622	1,354	2,052
Payments to N. Ireland.....	9,500	2,600	2,683	198	335
Other Cons. Fund Services.....	7,800	3,082	3,400	...	...
Total.....	342,300	117,173	130,705	1,552	2,387
Supply Services.....	494,479	146,474	171,469	90,309	85,975
Total Ord. Exp.	526,679	158,197	184,534	91,861	88,362
SELF-BALANCING P.O. & Broadcastg.	102,523	32,250	34,350	1,150	1,250
Total.....	539,902	161,417	187,964	93,011	89,612

After decreasing Exchequer balances by £33,097 to £2,820,504, the other operations for the week (no longer shown separately) raised the gross National Debt by £40,583,082 to about £15,085 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Aug. 8th and Aug. 14th. (Figures in brackets are par of exchange.)

United States. \$ (4-82) 4-02-03; mail transfers 4-02-03. **Canada.** \$ (4-82) 4-43-47; mail transfers 4-43-47. **Switzerland.** Francs (25-22) 17-30-40. **Sweden.** Krona (18-159) 16-85-95. **Argentina.** Peso (12-45) 16-95-17-15; mail transfers 16-95-17-15. **Dutch West Indies.** Florin (12-11) 7-59-62; mail transfers 7-58-64. **Portugal.** Escudos (110) 99-80-100-20. **Panama.** \$ (4-02-04) 4-02-04; mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Office.—Spain, Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). **Turkey.** Piastres (110) 520. **Italy.** 71-25 lire.

NET ISSUES (£ thousands)	150
P.O. and Telegraph.....	20
Overseas Trade Guarantees.....	170
NET RECEIPTS (£ thousands)	741
War Damage Act.....	741

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1941				
Aug. 9	960.0	Not available		
1942				
May 9	950.0	"		
" 16	955.0	"		
" 23	975.0	"		
" 30	975.0	1805.3	518.5	3553.6
June 6	975.0	Not available		
" 13	975.0	"		
" 20	975.0	"		
" 27	2,638.5	160.4	36.3	591.5
July 4	975.0	Not available		
" 11	975.0	"		
" 18	975.0	"		
" 25	975.0	1654.3	166.8	654.5
Aug. 1	975.0	Not available		
" 8	975.0	"		

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allocated	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1941					
Aug. 8	75.0	159.1	75.0	20	0.16
1942					
May 15	75.0	135.4	75.0	20	0.65
" 22	75.0	143.9	75.0	20	0.78
" 29	75.0	151.5	75.0	20	0.70
June 5	75.0	147.3	75.0	20	0.56
" 12	75.0	131.6	75.0	20	0.67
" 19	75.0	124.3	75.0	20	0.90
" 26	75.0	141.4	75.0	20	0.58
July 3	75.0	143.9	75.0	20	0.54
" 10	75.0	157.7	75.0	20	0.32
" 17	75.0	139.6	75.0	19	11.93
" 24	75.0	136.6	75.0	20	0.60
" 31	75.0	155.1	75.0	19	11.91
Aug. 7	75.0	151.4	75.0	20	0.71

On Aug. 7th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 38 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury Bills are being offered on Aug. 14th. For the week ending Aug. 15th the banks will be asked for Treasury deposits to a maximum amount of £15 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
June 30.....	4,160	1,455	8,325	5,066
July 7.....	4,025	2,116	8,546	5,855
" 14.....	3,913	2,075	8,670	13,966
" 21.....	4,039	1,987	18,059	11,902
" 28.....	3,887	1,733	12,240	33,902
Aug. 4.....	3,447	1,445	4,070	4,778
" 11.....	...	...	6,055	4,159
Totals to date...	589,103	480,294	81,961	516,397

* 141 weeks. † 84 weeks. ‡ 44 weeks. § Including series "A." || Including all Series. Interest free loans received by the Treasury up to Aug. 11th amounted to a total value of £49,565,158. Up to July 25th, principal of Savings Certificates to the amount of £74,822,000 has been repaid.

Market Rates.—The following rates remained unchanged between Aug. 8th and Aug. 14th.

Egypt. Piastres (97) 97- $\frac{1}{2}$. **India.** Rupee (18d. per rupee) 17- $\frac{1}{2}$ -18d. **Belgian Congo.** Francs 176- $\frac{1}{2}$. **China.** National \$ 2- $\frac{1}{2}$ -3d.

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

Forward Rates.—Forward rates for one month have remained unchanged as follows:—**United States.** 1 cent pm-par. **Canada.** 1 cent pm-par. **Switzerland.** 3 cents pm-par. **Sweden.** 3 ore pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Aug. 8th and Aug. 14th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

AUGUST 12, 1942

ISSUE DEPARTMENT

Notes Issued:			
In Circul.	834,472,567		
In Bankg. Department.....	45,769,151		
Govt. Debt.....	11,015,100		
Other Govt. Securities.....	866,257,391		
Other Secs.....	1,714,245		
Silver Coin.....	1,013,264		
Amt. of Fid. Issue.....	880,000,000		
Gold Coin & Bullion (at 168s. per oz. fine).....	241,718		
	880,241,718		880,241,718

BANKING DEPARTMENT

Props. Capital 14,553,000	Govt. Secs. ... 136,040,313
Res. 3,404,168	Other Secs. ... 7,445,882
Public Deps.* 19,615,056	Discounts & Advances ... 27,108,333
Other Deps.: Bankers 126,072,765	Securities ... 45,769,151
Other Accts. 46,649,294	Gold & Silver Coin..... 1,376,486
	210,294,283
	210,294,283

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

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest																	Changes in interim dividends for ordinary stocks.																
Prices, Year 1941		Prices, Year 1942		Name of Security	Price, Aug. 4, 1942	Price, Aug. 11, 1942	Yield, Aug. 11, 1942	Price, Jan. 1, 1942			Dividends			Price, Aug. 4, 1942	Price, Aug. 11, 1942	Yield, Aug. 11, 1942																	
High	Low	High	Low		Jan. 1, 1942	Jan. 1, 1942	Jan. 1, 1942	High	Low	(a)	(b)	(c)																					
British Funds																																	
82½	76½	83½	82½	Consols 2½	82½	82½	£ s. d.	45/9	41/3	4 a	b	42/6	42/3	42/3	4 s	4 d																	
113½	110	113½	111½	Consols 2½ (after 1957)	112	102	3 11 5	50/3	41/10½	3 a	11½ b	44/3	44/3	6 15	6																		
100	98½	100½	99½	Conv. 2½ 1943-45	100½	101	1 19 10	28/4½	25-	13½ a	16½ b	26/4½	26/6	3 15	61																		
100	98½	101½	99½	Conv. 2½ 1944-49	101	101	2 8 3	22/9	18/3	3 a	5 b	21/9	21/3	7 10	6																		
106½	102½	108½	105½	Conv. 3½ 1948-53	102½	102½	2 11 3	20/8½	14-	7 c	Nil c	19/9	19/6	Nil																			
106½	102½	108½	105½	Conv. 3½ (after 1961)	107½	108	3 4 10½	23/9	20-	4 a	6 b	24/4½	24/9	8 1	6																		
95½	91½	96½	93½	Conv. 5½ 1944-64	104½	105	2 18 0	27/9	25/7½	7 a	15 b	27/9	26/10½	8 6	9																		
100½	97½	100½	98½	Funding 2½ 1956-61	96½	96	2 17 0	45/6	41/3	14 b	12½ c	42/6	42/6	5 8	9																		
101½	98½	101½	99½	Funding 2½ 1952-57	101½	102	2 15 3	45-	41-	12½ c	12½ c	46/3	46/3	5 8	9																		
116½	116½	114½	114½	Funding 3½ 1959-69	101½	101½	2 18 3	35/0½	31-	5 c	Nil c	34/6	34/6	5 16	0																		
101½	99½	101½	99½	Funding 4½ 1960-90	111½	112	2 18 3	7-	5-	Nil c	5 c	7/-	6/6	5 1	3																		
100	98½	100½	98½	Nat. Def. 3½ 1954-58	102	102	2 19 0	23/7½	21-	5½ b	2½ a	22/9	22/9	7 7	0																		
100½	99½	100½	99½	War Bonds 2½ 1945-47	100½	100½	2 6 3	17/6	15/5½	4 a	6 b	16/9	16/7½	5 19	6																		
100½	99½	100½	99½	War Bonds 2½ 1946-48	100½	100½	2 9 0	10/10½	7/-	Nil c	Nil c	9/-	9/3	Nil																			
101	100	101	100	Savings Bds. 3½ 1955-65	100½	100½	2 19 0	11/11½	6/3	Nil c	Nil c	11/11½	10/9	Nil																			
114½	110½	115½	112½	Victory Bonds 4½	114½	114½	2 18 9	39/1½	33/6	3½ a	5 b	37/-	36/9	4 15	6																		
101	100½	102½	100½	War Loan 3½ 1955-59	102½	102½	2 16	38/1½	31-	5 c	7½ c	37/-	36/9	4 1	9																		
106½	102½	108½	104½	War Loan 3½ aft. 1952	106½	106½	3 11 9	23/1	23/1	Nil c	5 c	11/9	11/7½	5 4	0																		
96½	92½	97½	94½	Local Loans 3½	96½	96½	3 1 0	28/9	22/9	7½ c	7½ c	28/6	28/6	5 5	3																		
102	100	101½	98½	Redemption 3½ 1986-96	99½	99	3 1 0																										
102	100	101	101	Austria 3½ 1933-53	101	101	2 17 0	74/9	71/3	5 a	10 c	72/9	72/6	4 2	9																		
101½	96	101½	100½	India 3½ Red Jan. 5, '43	101½	101½	3 9 0	22/9	20/9	12½ b	7½ a	21/6	21/6	4 15	3																		
Dom. & Col. Govts.																																	
105½	101	102	101	Australia 5½ 1945-75	101	101½	4 9 0																										
106	100	102	100	New Zealand 5½ 1946-	109	101	4 16 6	84/3	78/4½	17½ c	17½ c	80/6	80/6	4 15	3																		
111	107½	109½	106½	Nigeria 5½ 1950-60	109	109	3 13 8	38/9	34/6	3 a	5 b	35/6	35/6	4 10	0																		
Corporation Stocks																																	
108½	106	108½	105½	Birmingham 5½ 1946-56	108	108	3 12 6	32/6	29/4½	4½ b	2½ a	13/6	13/6	3 6	0																		
93½	84½	97	93½	L.C.C. 3½	95½xd	95½	3 2 9	40/-	38/1½	2½ a	5½ b	38/-	38/-	4 4	3																		
99	93	99½	98	Liverpool 3½ 1954-64	99	99	3 1 3	40/6	39/-	5 b	3 a	39/6xd	39/6	4 1	0																		
106	100½	106½	105	Middlesex 3½ 1957-62	105	105	3 1 6	17/3	15/-	10 c	10 c	16/3	16/3	3 0	3																		
Foreign Governments																																	
99½	77	102	97½	Argentine 4½ Stg. Bds.	99½	100	4 10 0	21/9	20/1½	7½ c	7½ c	21/6	21/6	7 1	0																		
48	31	46½	30½	Brazil 5½ Funding 1944	64½xd	64½	3 17 6½	11/9	9/3	6 b	4 a	11/9	12/3	8																			
72	71½	73	70	Chile 6½ (1929)	31	30½	5 1 9	14/9	11/9	11½ c	18 c	14/-	14/-	5 12	3																		
84	9	13	5½	Egypt Unified 4½	88	87½	4 11 5	26/4½	24/-	3 c	3 b	26/-	26/3xd	4 11	6																		
73	58	83	70	Japan 5½ 1930	11	11		13/6	11/4½	17½ b	15 a	13/6	13/6	12	6																		
45	27	44	33	Portuguese 3½	82	82	3 13 2	69/6	65-	2½ a	12½ b	33/3	32/9	2 13	6																		
				Spanish 4½	42½	42½	9 8 4	34/6	29/10½	20 b	20 b	86½xd	88½	4 10	9																		
Motor and Aircraft																																	
				Aviation Ord. 5½																													
				B.S.A. Ord. £1																													
				Bristol Aeroplane 10/-																													
				Fairley Aviation Ord. 10/-																													
				Ford Motors Ord. £1																													
				Hawker Siddeley 5/-																													
				Lucas (Joseph) Ord. £1																													
				Motor Ordnance 10/-																													
				Rolls-Royce Ord. £1																													

**OVERSEAS BANK
RETURNS
SWISS NATIONAL BANK
Million Swiss Frs.**

	July 15, 1941	June 23, 1942	June 30, 1942	July 23, 1942
ASSETS				
Gold	2314.5	3440.2	3441.7	3444.3
Foreign exchange	1269.2	141.0	142.2	122.2
Discounts, etc.	62.0	297.5	126.8	37.6
Advances	23.1	17.0	23.3	20.0
Securities	69.8	66.3	66.3	66.3
LIABILITIES				
Notes in circulation	2057.5	2164.2	2256.3	2181.0
Other sight liabilities	219.2	249.8	224.2	247.7

U.S. FEDERAL RESERVE BANKS

Million \$'s				
12 U.S.F.R. BANKS RESOURCES	Aug. 7,	July 25,	July 30,	Aug. 6,
Gold certs. on hand and due from Treasury	1941	1942	1942	1942
Total reserves	20,301	20,550	20,549	20,548
Total cash reserves	20,585	20,550	20,828	20,812
Total U.S. Govt. secs.	268	269	265	251
Total bills and secs.	2,184	3,047	3,110	3,303
Total bills and secs.	2,199	3,063	3,127	3,322
Total resources	23,784	25,092	25,094	25,250

[illegible]

LIABILITIES					
Notes in circ. : India	2,552	4,507	4,497	4,495	4,511
Burma	189				
Deposits : Govt.	275	284	225	282	201
Banks	305	639	657	645	621
Reserve ratio.	60.2%	67.4%	67.4%	67.3%	71.5%

SOUTH AFRICAN RESERVE BANK

SOUTH AFRICAN RESERVE BANK
Million £'s

	July 4, 1941	June 19, 1942	June 26, 1942	July 3, 1941
ASSETS				
Gold coin and bullion	51.27	56.20	56.75	56.6
Bills discounted	0.76	1.12	1.14	1.0
Invest. and other assets	40.70	54.11	54.39	55.6
LIABILITIES				
Notes in circulation	26.15	30.62	32.11	33.6
Deposits : Government	2.74	3.91	2.83	2.8
Bankers'	51.37	65.33	66.89	66.4
Others	8.46	7.76	7.28	7.0
Reserve ratio	58.1%	52.5%	52.0%	50.7%

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

000's omitted												
JULY, 1942	Barclays Bank Ltd.	Coutts & Co.	District Bank Ltd.	Glyn. Mills & Co.	Lloyds Bank Ltd.	Martins Bank Ltd.	Midland Bank Ltd.	National Bank Ltd.	National Provincial Bank Ltd.	Westminster Bank Ltd.	Williams Deacon's Bank Ltd.	Aggregate
Date	28th	27th	29th	21st	21st	29th	29th	28th	29th	30th	27th	
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, Bank Notes and Balances with the Bank of England.....	65,675	3,231	14,177	4,817	62,039	16,099	72,935	3,925	43,483	48,753	6,729	341,866
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland....	20,355	822	3,131	1,997	17,987	3,569	20,886	212	14,601	17,563	2,993	104,111
Items in Transit.....	19,180	2,463	5,395	5,096	8,545	2,649	19,690	6,826	16,921	22,703	6,631	111,191
Money at Call and Short Notice.....	60,208	1,520	14,211	1,163	47,425	14,009	68,313	997	32,017	31,555	1,322	131,661
Bills Discounted.....	134,000	3,500	24,500	6,000	112,000	27,500	132,000	500	78,500	75,000	13,500	272,500
Resealed Deposit Receipts.....	187,413	15,034	50,964	20,607	177,320	58,369	231,195	17,768	142,911	153,105	22,157	607,844
Advances to Customers and other A/c's.....	169,858	8,686	23,479	9,129	137,626	32,249	158,443	14,882	111,208	117,997	12,133	1,074,844
Liabilities of Customers for Acceptances, Endorsements, etc.....	12,916	1,163	2,813	3,602	19,665	8,426	13,277	140	11,121	14,597	2,106	89,822
Bank Premises Account.....	7,931	405	1,483	740	6,871	2,862	8,983	543	7,087	5,038	956	42,899
Investments in Affiliated Banks and Subsidiary Companies.....	6,219	...	...	...	3,780	...	8,302	...	2,514	2,992	...	23,807
	683,755	34,824	140,153	53,151	614,111	171,834	734,024	45,793	460,363	489,103	68,527	3,495,636
Ratio of Cash to Current, Deposit and other Accounts.....	10-20	10-20	10-79	10-11	10-91	10-34	10-52	9-46	10-08	10-69	10-59	10-47
LIABILITIES												
Capital Paid up.....	15,858	1,000	2,377	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,191
Reserve Fund.....	11,250	1,000	2,976	850	10,000	3,600	12,410	1,160	8,500	9,320	1,000	62,681
Current, Deposit and other Accounts.....	643,731	31,661	131,387	47,639	568,626	155,626	693,718	41,491	431,263	455,849	63,546	3,263,999
Acceptances, Endorsements, etc.....	12,916	1,163	2,813	3,602	19,665	8,426	13,277	140	11,121	14,597	2,106	89,822
Notes in Circulation.....	...	...	...	...	10	22	1,902	...	...	17	...	1,551
	683,755	34,824	140,153	53,151	614,111	171,834	734,024	45,793	460,363	489,103	68,527	3,495,636

EXCHANGE RATES (Monthly Tables)

AUSTRALIA AND NEW ZEALAND										
London on Australia and N.Z.*					Australia and N.Z. on London					
Buying			Selling		Buying			Selling		
Australia		N.Z.	†Australia	†N.Z.	†Australia	†N.Z.	†Australia	†N.Z.		
Ord. Mail	Air Mail	Ord. Mail	Air Mail	125	124½	135	Ord. Mail	Ord. Mail	125½	125 Ord. Mail
(b)	(t)	(b)	(t)			(b)				
126½	126½	126½	126½	125½	124½	124½	123½	125½	124½	124½
127½	127½	127½	127½	...	...	124½	123½	125½	125½	124½
127½	127½	127½	127½	...	...	124½	123½	125½	125½	124½
128½	128½	127½	127½	...	...	123½	123½	125½	125½	124½

Since April 7, all bills on Australia will be purchased at sea mail rates only. Bills sent by air mail on payment of appropriate postage.

* All rates (Australia and N.Z.) now based on £100—London. † Plus postage.

‡ Via Durban. By America/N.Z. Air Mail (Australia) Demand, 126 $\frac{1}{2}$; 30 days, 126 $\frac{1}{2}$; 60 days, 127 $\frac{1}{2}$; 90 days, 127 $\frac{1}{2}$. (N.Z.) Demand, 125 $\frac{1}{2}$; 30 days, 126 $\frac{1}{2}$; 60 days, 126 $\frac{1}{2}$; 90 days, 127 $\frac{1}{2}$ (plus postage). † Any Mail

SOUTH AFRICA

Shipping rates in London for T.T.s and bills on South Africa are (per £100 sterling)
 for T.T.: £101½ (sight); £102½ (30 days); £102½ (60 days); £102½ (90 days).
 For Rhodesia the corresponding rates are £100½, £100½, £101½ and £102½.
Selling rates in London (per £100 sterling) for T.T.s and sight bills are £100½ for
 South Africa and £99½ for Rhodesia.

CENTRAL AND SOUTH AMERICA

Following rates, issued by Bank of London and South America, are related to U.S. \$; approximate sterling rates can be calculated from \$-£ rate.

Colombia • Open market sight selling rate 175.50 pesos per 100 U.S. \$ on July 23rd.
 Ecuador • Official sight selling rate 14-10 sucres per U.S. \$ on July 10th.
 Guatemala • Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.
 Nicaragua • Official sight selling rate for payment of imports fixed Jan. 1, 1941, at 5-54 cordobas per U.S. \$ (incl. 10 per cent fixed tax).
 El Salvador • Sight selling rate New York was 2-50 colones per \$ on Aug. 1st.
 Venezuela • Sight selling rate New York 3-35 bolivares per U.S. \$ on July 14, 1942.
 Official exchange controls are operative in these countries.

OVERSEAS BANK RATES

	Changed	From	To		Changed	From	To
		%	%				%
Amsterdam	June 28,	41	3	Madrid	July 15,	35	5
Athens	Mar. 10,	42	5	Montreal	Mar. 11,	35	5
Belgrade	Feb. 1,	35	6	Oslo	Mar. 12,	40	4
Berlin	April 9,	40	5	Paris'	Mar. 17,	41	2
Brussels	Jan. 25,	40	2	Pretoria	June 2,	41	3
Bucharest	Sept. 17,	40	3	Rio de Janeiro .	May 31,	35	5
Budapest	Oct. 22,	40	3	Rome	May 18,	36	5
Calcutta	Nov. 28,	35	3	Sofia	Sept. 16,	40	5
Chile	June 13,	35	4	Stockholm . . .	May 29,	41	3
Copenhagen . . .	Oct. 15,	40	6	Zurich	Nov. 25,	36	2
Helsingfors . . .	Dec. 1,	34	4	Tokio			
Lisbon	Mar. 31,	37	4	Wellington . . .	Oct. 27,	40	3
N.Y. Fed. Res.	Aug. 26,	37	1	Dublin	May 26,	39	4

(a) For banks and credit institutions.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1942	+ or -	1942	+ or -
B.A. and Pacific....	6	Aug. 8	\$1,350,000	+ 19,000	7,887,000	= 246,000
B.A. Gt. Southern....	6	" 8	1,971,000	- 134,000	11,531,000	= 305,000
B.A. Western.....	6	" 6	4,776,000	+ 9,000	4,492,000	= 67,000
Canadian Pacific.....	32	" 7	\$4,836,000	+ 590,000	147,795,000	+ 24,349,000
Central Argentine.....	6	" 8	1,946,500	+ 239,000	11,358,400	+ 1,305,300
San Paulo (Brazil)...	31	" 2	440,133	- 179	1,108,022	= 44,483

† Receipts in Argentine pesos.

NEW YORK PRICES

	Close	Close		Close	Close		Close	Close
	Aug.	Aug.		Aug.	Aug.		Aug.	Aug.
	4	11		11	11		4	11
1. Railroads.			3. Commercial					
Atlantic Coast	261	261	Am. Mercantile	391	384	Int. Paper	84	84
Can. Pacific	48	41	Am. Viscose	282	265	Liggett Myers	64	64
Gt. Nthn. Pf.	211	211	Anacosta	285	255	Nat. Distillers	234	240
N.Y. Cent.	84	84	Beth. Steel	544	524	Nat. Steel	474	474
Pennsylvania	211	211	Briggs	188	168	Phelps Dodge	24	24
Southern	144	144	Celastue of A.	19	19	Proct. Gamble	484	484
			Chrysler	61	61	Sears Roebuck	54	54
			Distillers-Seag.	204	204	Shell Union	154	154
2. Utilities, etc.			Eastman Kod.	1284	1284	Std. Oil N. J.	37	37
Amer. Elec.	1164	117	Gen. Elec.	268	268	20th Cen. Fox	11	11
Amer. W'kss.	24	24	Gen. Elec.	374	374	United Drug	6	6
Pac. Light	261	261	Insuland Steel	58	574	U.S. Steel	47	47
People's Gas	44	394	Int. Harvest	462	464	West'house El.	674	674
Sth. Cal. Ed.	17	17	Int. Nickel	26	26	Woolworth	284	284
W. Union Tel.	254	254						

August 15, 1942

(Continued from page 220.)

Food News.—For the next four-week food rationing period, the sweets and chocolate ration is to be raised from 2 oz. to 3 oz. a week. The output needed to meet this ration will be about half pre-war production. Biscuits will be added to the list of foods on the points rationing scheme, but the point value has not yet been announced.

Allocations of dried fruit and sugar to confectioners are to be reduced, so that the shipping space needed for the import of meat has been effected by ship without bone. The importation of milk and eggs in powdered form and the national loaf have also saved shipping space. During the coming year 80,000 tons of dried egg are to be imported; to produce its equivalent in eggs at home would mean importing over two million tons of feeding stuffs.

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE.

	Daily Average Sales	Stks. (at cost) end of
	1942	June
April		
May		
June		

(a) By Commodities

Non-food Merchandise	0.6	11.6	19.9	15.4
Piece-goods	6.9	17.7	5.4	1.4
Women's Wear	6.5	28.9	6.7	4.6
Men's and Boys' Wear	8.4	11.7	14.3	7.0
Boots and Shoes	130.7	20.8	12.9	14.7
Furnishing Departments	Nil	4.3	13.6	12.4
Hardware	2.6	1.8	16.8	5.3
Fancy Departments	6.6	15.8	19.6	12.4
Sports and Travel	4.2	4.0	0.4	0.7
Miscellaneous	0.8	11.2	0.8	5.1
Total	0.9	5.0	4.2	35.4
Food and Perishables	0.8	2.8	2.7	1.4
All Departments				

(b) Districts

Scotland	0.6	2.1	3.4	2.3
North-East	0.8	0.3	2.7	2.2
North-West	0.2	5.8	1.9	2.4
Midland and S. Wales	1.0	3.4	2.9	7.1
South England	3.5	6.5	2.0	0.1
Central and West-End	20.6	6.4	9.7	0.7
London	2.0	2.2	6.2	0.3
Suburban London				

Source: Board of Trade Journal.

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

	Aug. 6, 1942	Aug. 7, 1942	Aug. 10, 1942	Aug. 11, 1942	Aug. 12, 1942
Crops	117.8	117.8	117.8	117.8	117.8
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	142.7	142.7	142.7	142.7	142.7

* Highest level reached during 1932-37 recovery.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 31, 1937	Aug. 30, 1939	Aug. 5, 1941	July 21, 1942	Aug. 4, 1942
Cereals and Meat	93.0	96.8	111.6	103.0	
Other Foods	70.4	97.8	101.6	102.6	
Textiles	74.2	84.3	92.7	92.5	
Minerals	115.2	95.4	129.2	131.9	
Miscellaneous	87.0	77.6	112.7	120.0	
Complete Index	87.2	70.3	105.8	111.6	110.9
1918=100	119.9	96.8	145.5	153.5	152.6

* Highest level reached during 1932-37 recovery.

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 Branch Credits Department ... 2,389,454
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Mission to Moscow

THE announcement that Mr Churchill had flown to Cairo and to Moscow came as no surprise. The Prime Minister's wartime habits are by now well known. There had been many signs that Mr Churchill was on his travels again. The Germans themselves knew, in general terms, where he was and what he was probably doing.

But the Germans do not know what plans were laid by Mr Churchill and Premier Stalin in Moscow. This secret will not be revealed, to friend or to enemy, until it bursts into action. The objectives of the plans laid, however, are plain enough. The prime aim of Allied strategy in the next crucial weeks and months must be to dovetail supplies and operations so that Russia will be sustained, whatever may happen on the Volga, in the Caucasus or in the Far East. The goal must be to make whatever gains Germany may achieve Pyrrhic in character, and to render the sinister plotting of Japan abortive. Allied forces in the Middle East have their part to play by Russia's side, by the defence of Egypt and by co-operation in the defence of the Southern Caucasus. Mr Churchill and General Smuts met in Cairo. The entire Middle Eastern command has been remodelled. General Wavell, who commands in India and has commanded in the Near and Middle East, flew from India to Moscow. The products of Allied industry will nourish Russia until the tide turns, and after-

wards. The Allied air barrage, which has been acclaimed with such faith and fervour by British and American air chiefs in the last few days, will enfeeble the enemy in his vitals. Perhaps sooner than the most sober dare to expect, an Allied attack in all elements will strike to the Axis heart. It is a race against time, not between German weakness and Allied strength, but between German and Allied might.

Mr Churchill did not fly east to exchange assurances of victory with the Russian leaders. He went to Moscow at a moment of high danger and great difficulty. The pressing need is to ease the danger and lessen the difficulty. "Close friendship and understanding between the Soviet Union, the United Kingdom and the United States, in entire accordance with the Allied relationship existing between them," was expressed; both Governments declared themselves, surely needlessly, except as a reply to insidious Axis propaganda, "determined to carry on with all their power until the complete destruction of Hitlerism and any similar tyranny has been achieved." But the occasion of the meeting was, not these formal statements of what should be axiomatic, but immediate ways and means. This time there was no tantalising "pledge" of a Second Front. But no one, least of all the Germans, can be sure that the Second Front will not start

tomorrow, or indeed, every time the coast of Europe is approached, that it has not started already.

By going to Moscow, Mr Churchill has recognised in his own characteristic way the debt of the entire free world to Russia. He has affirmed the world's duty to support the Russians to the utmost of human endeavour. He has scotched the scepticism which said that co-operation between the Soviets and their Allies was halt and lame. He went to Moscow, in his own words, to "speak his mind," to lay the dust of any doubts that may still linger. It was a frank meeting; and the answer to charges that there is still no unity in Allied strategy is now unmistakable: Roosevelt, Stalin and Churchill are agreed—and the peoples of Britain and the United States are wholeheartedly with their leaders in their efforts to seize advantage, for Russia and all the United Nations, of the historic chance which Russian resistance and Russian suffering have offered. The Communist Party of Great Britain has stated that, after the Moscow conversations, it will intensify its campaign to rouse public opinion for the speedy establishment of a Second Front. But surely, if the British and Russian Governments have proved their accord and decided jointly, if secretly, on action, this is absurd. As the *New York Herald-Tribune* suggests, the Moscow meeting should put an end to "popular clamour-parades and pressure politics"—unless those who clamour and press believe that the meeting

ended in disagreement and failure. If this clamour does develop again, in any of the United Nations, and especially if it is expressed, in any of these countries, in quarters which are assumed to be informed or in organs which are supposed to be in touch with those who know, cynics will not be lacking to draw this melancholy, and unjustified, inference.

The task and duty of the leaders and commanders of the United Nations is to translate this majestic accord into joint action and success before the German bid to divide and win can score another triumph. There are difficulties and problems. Words and the best intentions are not enough. Each fighting Ally has still to work out the best means, in command, training and equipment, of welding land, sea and air power into a single decisive instrument. Distance, as well as time, is the Allies' foe. Mobility is the great need; mobility of men, supplies and weapons, to bring them with the utmost speed to distant fronts. Chungking has not yet been visited; but China as well as Russia must be held against the common enemy. At the top there is agreement. It is to the application of the common programme, in planning, in production, and in operations, that every energy and effort of ingenuity must now be turned. The will to find a way has been symbolised by Mr Churchill's visit, the first of any English Prime Minister, to Moscow. It is a will that can move mountains.

Odi Profanum Vulgus

"YOU must not ask a horse in blinkers for a wide view of the landscape." The words are Walter Bagehot's. It is the nature of interested groups to look first at their own special interest, and the agricultural industry is no exception. The report of the Scott Committee on land utilisation in rural areas, which was published a week ago, is not the impartial examination of the future of rural Britain that such a report should be. In effect, although the future of agricultural policy was not the Committee's province, it is a plea for the maintenance of a large, protected and subsidised agriculture—on a par with the proposals which have come from such bodies as the Federation of British Industries, pleading for the preservation of sectional claims and privileges. It is a prime example of the muddle-headedness which is the curse of well-meaning planners and the vice of vested interests. More disturbing, perhaps, even than the report itself, is the chorus of welcome with which it has been greeted. One member of the Committee, Professor Dennison, in a minority report, has attempted to face facts impartially; but, almost without exception, the press has preferred the comfortable words—and the nonsense—of the majority to the single voice of commonsense. It is not too much to say that the future of this country, urban and rural alike, will depend upon whether this report is remembered and worked into policy as the Scott or the Dennison Report.

The argument of the majority is simple and familiar. It is an unusually fine specimen of the "vague romantic flubdub" which has been noted before, in discussions of agriculture, by *The Economist*. Briefly, the thesis is that the Government is committed to the maintenance of an agriculture of at least the same size, in acreage, employment and output, as at present; and that, moreover, the farming methods used must be "traditional." The object of policy, it is claimed, should be to preserve the "traditional" amenities of the countryside, by which is meant the rural pattern which has been the product of the way in which the land has been farmed in the past. The "balanced" type of farming made necessary by the siege conditions of wartime is approved as a welcome restoration of old-time practices. It almost appears to be the belief of the majority report that, in the manner of farming, Britain must be kept perpetually at war, as it were, condemned, at whatever cost, to an endless self-siege.

It is true that the majority report states specifically that "much that we propose requires goodwill rather than money." This astonishing claim is due either to deliberate self-deception or to sheer incompetence of thought. It is the virtue of Professor Dennison's report that he makes this plain. The large and prosperous agriculture taken for granted by the majority report, at every stage of its argument and in every proposal it makes, could only be maintained at the expense, in large subsidies and high prices, of the rest of the community. If these assumptions about the future scale and character of farming were to become fact, the material standard of life of the entire community, including the farming section, would inevitably be kept below what it might otherwise have been. The essential fact about British economy, in Professor Dennison's words, is that

more food can be obtained by employing labour and capital in manufacturing goods which are exported and by importing food in return than can be obtained by using the same amount of labour and real capital in agriculture to produce the food directly.

It is a question of relative efficiency in the use of resources. The output of labour and capital is higher in overseas farming than in this country; the output of labour and capital is higher in British industry than in British farming—and no conceivable increase in efficiency, which is in any case impossible in the large traditional agriculture sponsored by the majority report, can alter these basic facts.

There are values which are not economic. Some people do argue, like Marshal Pétain, that it is "better" to be poor and rural than rich and urban. But this is not the Committee's argument. They assume that the nation can have it both ways, rural and rich, which is misleading nonsense. The people of this country have the right to be told how much is being asked of them, and what for. The nation can indeed have the swollen and protected farming which is asked for, but only in return for high prices and high taxes; only in return for an inferior use of a great part of the nation's resources; only in return for a lower standard of living. It is even possible for the large agricultural army which the majority envisage to be given high wages, good houses and improved services, but only at the cost of onerous subsidies and heavy charges upon every other citizen. But it is not possible for the nation to make the advances in nutrition which the majority report

itself desires by means of this protected, "museum piece," traditional, "balanced" and extravagant farming. For British agriculture to serve the needs of good nutrition it must be specialised not balanced, efficient not traditional. There is not a single thinking citizen in the country who does not agree that better standards of living for agricultural workers and those who live in the countryside are imperative. Villages fit to live in; community centres; access to the countryside; footpaths; national parks; open spaces; all these are aims with which every right-minded person must agree. The Scott Committee has done well to set them down. Higher wages, better housing and improved services must be first charges on policy. But all these can only be secured by means of a prosperous and efficient agriculture, small enough to carry its own weight—an agriculture, that is, in which the rural worker, without becoming a pensioner dependent on the charitable sacrifices of his urban neighbour (as the Committee, in effect, suggests), is individually well enough off to pay for better conditions and better services. If employment is deliberately kept artificially high, either wages will be low and living conditions poor or the community will be called upon to make prohibitive sacrifices in order to "preserve" the countryside.

There is only one reasonable policy for agriculture, economically and communally. That is for the Government to guarantee farm prices over a period, so that farming is not thrown into confusion by fluctuations. But, and this is the crucial point, the guaranteed prices must be so fixed that, in broad terms, the average price over a period is no higher, and the supplies available, from home and overseas, no less than they would have been in conditions of competition. With this aid, farming, like other industries, must stand on its own feet, small, specialised and efficient; it must genuinely pay its way. It has a right, and a duty, to be placed upon its feet. What is needed from an official committee is not this hotch-potch of vague and benign recommendations, which show not the slightest realisation of their effect on the British economy as a whole, but rather an authoritative inquiry into what extent, under what conditions and by producing what products, British farming can be made as productive as other, mainly industrial, uses of the nation's resources. Instead, the Scott Committee—partly because of its impossible terms of reference, which are based on the extraordinary idea that planning can be worked out piecemeal, section by section, in watertight compartments—has produced this anarchy of general statements about "the encouragement of industry and commerce, the maintenance of a prosperous country life and the preservation of amenities," all of them phrases which, when defined according to the Committee's assumptions, are either flatly contradictory or else mere verbiage. There is not a single sentence in the majority report which succeeds in shaking in the

slightest the rightness of the view once well expressed by Lord Astor and Mr Rowntree that

the aims of our agricultural policy should be to promote a happy marriage between nutrition and agriculture rather than to shut out overseas competition, to improve the conditions of the agricultural labourers rather than to increase their numbers, to treat agriculture as an industry or group of industries, possessing peculiar features indeed, but existing for the purpose of satisfying human wants with the minimum of toil, rather than as a way of life to be preserved with the minimum of change.

Change is the majority's bogey. They even wish to add physical protection to financial and fiscal protection; they have strong views about planning, their principle being, in effect that agricultural land must be left intact—that, even if fertile land can be used more productively for other purposes, it should be sacrosanct. Apart from this principle, although they sketch an elaborate planning machinery, they at no point make plain who is to plan and what for. They hardly agree that landowners or farmers should be permitted to alienate their land for non-agricultural purposes. They half believe that farm workers should be tied to the land. They wish to give the Ministry of Agriculture a veto on every planning scheme. They insist, when the transfer of farm land to other uses arises, upon the onus of proof being laid upon would-be users for non-agricultural purposes. Their thesis is a vast disservice to devoted planners like Mr F. J. Osborn, who have tried so hard to bring urban and rural interests together communally, on a business footing, which is the only possible basis for the finer and more spacious days which these friends of the countryside claim so speciously that they are planning to establish. Mr Osborn is told that industry must stay in the cluttered towns; or else, if garden cities or satellite towns are allowed, they must never be situated on the good land which alone would make possible practical and economic association between industry and agriculture. The whole process of conscious and collective action in national planning is compromised by such *bêtises*.

There is no malice in the special pleading of the Scott Committee. It is on a par with the attitude of Trollope's Miss Thorne, who always looked longingly back on her pseudo-Saxon forebears. It is antiquarianism of the worst kind. All industries are addicted to it. It is agreed by economists and statesmen that the objective of economic policy in the future should be "full employment." By full employment is properly meant the optimum use continuously of all resources, land, labour and capital, so that the maximum output and interchange of goods and services is achieved in the national interest. As Professor Dennison has pointed out

the essential point is that the full measure of economic progress and the improvement of standards of living



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can take place only if, as technique and economic conditions change, resources are not deliberately impeded in their movement from uses which yield a small return of goods to those which yield a larger return.

The industrialists and farmers mean something very different. They mean simply the maintenance at all costs of the numbers at present on their pay rolls, an argument which is the negation of progress. As Professor Dennison points out, if it had been applied at any earlier point of time, it would have congealed and ossified all economic development and made impossible the growth of wealth and welfare by which the people now live. It spells stagnation.

The friends of the countryside are meeker and milder

than the spokesmen of industry. Their nature and intentions are good; in general terms, their objectives—better living conditions for the rural population—can be denied by no one. But they are bigots. When they think of rural Britain, their eyes sparkle, their hearts burn, their words whirl and their reason flies out of the window. They hate the common herd of townsmen and, if they can, would hold it aloof. They would mulct it and tax it to restore and preserve Merrie England; they would keep it in its crowded streets, except on sufferance or ticket-of-leave; they would even deprive countrymen themselves of the benefits of economic progress by insulating them in a sterilised fortress. It is a restricted and exclusive attitude which should be resisted à outrance.

Test in Africa

ONE of the compensations for the fall of Singapore has been the public interest it has stirred in the colonies. There has probably never been a time when there was less self-satisfaction about British imperial rule or a more genuine and widespread desire for a completely new outlook on colonial affairs. More specifically, this feeling has crystallised in the suggestion that there should be a Colonial Charter which would embody peace aims for the colonies in the same way that the Atlantic Charter embodies them for the rest of the world.

In a debate in the House of Lords last May, the Colonial Secretary showed himself sympathetic to this suggestion. But he made no concrete statement of policy on the Government's account. And the only references to the colonies in other Ministerial speeches on the post-war world have been a statement by Mr Eden at Edinburgh last May that the country must be prepared to make sacrifices for them and the declaration by the same Minister at Nottingham in July that "any form of assistance or guidance given to a country unpractised in the art of self-government must be such as to help it to achieve its own development."

These vague generalisations are unlikely to satisfy public opinion in this country or the advanced and politically conscious sections of the colonial peoples. But what is even more disquieting than this apparent vacuum in policy at the centre is the growing tendency in certain colonies to introduce measures which are the exact antithesis of what public opinion is looking for. The colonies of East and Central Africa are being drawn more and more into the war—militarily, by the Japanese threat to the Indian Ocean, economically, by the supply demands of the armies of the Middle East. Yet, the result has not been to associate the whole people of these colonies more closely with Great Britain in the war effort, to give Europeans and Africans a common basis for working together and to promote in both races a feeling of responsibility. Instead, the opportunity has been taken, whether unconsciously or not, to advance the interests of the Europeans.

The first sign of this attitude was the announcement last March that in Kenya and Northern Rhodesia conscription was to be applied to Africans to work on European farms. The safeguards to be adopted have already been discussed in *The Economist* (on March 14, page 352, and on April 4, page 462), and there can be no doubt that the local Governments and the Colonial Office honestly believe that conscription is necessary for the war effort and that it will not be harmful to the natives. Nevertheless, although the natives may not suffer, they can hardly be said to gain, whereas the benefit to the European farmers is obvious.

There might have been a better excuse for the imposition of forced labour on Africans if at the same time an attempt had been made to associate them more closely with the direction of the war effort in their colonies. Unfortunately, the very opposite is the case.

In Kenya, hard on the adoption of conscription for Africans came the announcement of the establishment of a Civil Defence and Supply Council with the object of speeding up decisions on urgent questions with the help of "unofficial" experience. The Council is presided over by the Governor, and the Attorney-General and the Financial Secretary are responsible for civil emergency services and manpower, and finance respectively. But the other members include a former managing director of the Kenya Farmers' Association—a European concern; Major F. W. Cavendish-Bentinck, a prominent settler, who is in charge of agricultural production; the managing director of the Magadi Soda Company; the managing director of a local motor concern; another settler who is in charge of supply; and an Indian who looks after Indian affairs. Not only is there no African on the council—it may justifiably be claimed that there is none suitable for the purpose. But there is not even a member specifically charged with African affairs. It is, therefore, most disquieting to read a report from the Nairobi correspondent of the *Times* in which it is said that "the Colony will watch keenly the progress of the experiment, which has the seeds of a political change valuable after the war." Once again, vested interests appear to be entrenching themselves in the name of wartime efficiency.

The new development is not confined to Kenya. In Northern Rhodesia, too, the Europeans are taking over executive posts. Here, the position is possibly more dangerous, for the Europeans support amalgamation with Southern Rhodesia, whose native policy is restrictive consequently, anything which puts them in a more powerful position is particularly regrettable. The influence of the Europeans had in any case been strengthened by the recent change in the electoral boundaries which added an electoral area to the copper belt. But though the number of unofficial members of the Legislative Council, representing the Europeans, was thus increased, there is still only one representative of the Africans. Moreover, that representative, a European nominated by the Government, has hardly identified himself with native interests. No very long ago he made a speech in the Legislative Council in which he defended Southern Rhodesia's native policy and supported amalgamation. He claimed with some justification, because in many ways he is an enlightened, progressive man, that much of his life is given up to the furtherance of the native cause. And yet, in the same breath, he declared that "it should be clear that the white man should be protected in this country from undue competition." He might have been quoting Sir Godfrey Huggins, Prime Minister of Southern Rhodesia, who said in his published statement on native policy that it is necessary "to protect the European standard from being pulled down by cheap unorganised labour and to prevent unfair competition." Thus the European member representing native interest in the Legislative Council of Northern Rhodesia. And

thus the Prime Minister and Minister of Native Affairs in the self-governing colony of Southern Rhodesia. Both are apparently convinced that the policy of segregation or parallel development is right both for the native and the European; it will prevent, they argue, the latter from degenerating, as the "poor white" has already degenerated, and it will enable the African to rise to the European level. But neither of them realises that a policy which is based on restraint of agriculture and restraint of labour, besides being inhuman—for it really implies a belief in the inevitable and permanent superiority of the white man—is contrary to the interests of the colony as a whole. As Dr. S. van der Horst points out in her detailed and valuable study of South Africa's native labour,* restrictive and discriminating measures reduce national productivity, impede the progress and growth in the wealth of the whole community, raise costs and, in general, prefer "the convenience of the present generation of the European population to the prospects for prosperity and peace of their descendants."

This conclusion about the failure of the Union's native policy is interesting in view of General Smuts's condemnation of it early this year, when he repudiated segregation, which he said had brought nothing but division and strife, and upheld instead the principle of trusteeship. Already before the war, the growth of secondary industry in South Africa had revealed the possibility of a shortage of labour, especially of skilled labour, in a country whose white population only numbers some two millions. The munitions programme, and performance, has intensified the demand for labour, and now the native worker in the towns is welcomed. It will probably be a long time before the white workers agree to the training of natives to become skilled and to competition on equal terms with themselves, but it is apparent that the Union's leaders have realised that their country's prosperity depends on the free and unrestricted use of its labour supply.

* "Native Labour in South Africa." Oxford University Press. Price 18s. net.

NOTES OF THE WEEK

Experiment

The objectives of the raid on the Dieppe area have been officially stated. Two gun batteries, an ammunition dump and a radio-location station were destroyed; more important, "vital experience" was gained in the employment of substantial numbers of troops in an assault, and in the transport and use of heavy equipment. Only part of the balance sheet can be made public. Losses, in men, equipment and aircraft were severe on both sides; but, even if only the known air losses are counted—98 German to 92 British—they are a striking contrast to the balance of casualties in the Battle of Britain. The final account, in terms of material, morale and experience, will be struck in secret by the High Command. The symbolic value of this raid, the largest yet, is plain. For the first time since Dunkirk, British tanks have been in action in France. For the first time for nearly twenty-four years, American troops—a token few—have been in action in Europe. After their long vigil, the Canadians, who formed the bulk of the landing force, have been given work to do. Inevitably, Goebbels has made clever use of the raid. He was probably successful in his efforts to present it to the German people as an invasion foiled—the French people were told by the B.B.C. from the outset that it was only a raid. But Goebbels and the rest must be worried. The descent on Dieppe was the most important link so far in a chain which began with raids on the coast of Norway. It will end with a great offensive who knows where.

Diminishing Returns

The law of diminishing returns asserts itself powerfully in offensive military operations. The pace of the German advance has slowed down on all the sectors of the southern Russian front. Even in the northern Caucasus, where Marshal Timoshenko has obviously not attempted to make a firm stand, the "mopping-up operations," as the

British colonial policy in East and Central Africa, therefore, is in process of being overtaken by General Smuts in the Union of South Africa. It is quite true that the latter's change of heart may have been induced by the necessities of war as much as by sympathetic considerations for the native, and in any case it is by no means certain that he has the country's support for a new native policy. But the developments in Kenya and Northern Rhodesia, and the Dominion Office's ready acquiescence in anything which the Southern Rhodesia Government proposes in its native legislation, can hardly be described as an earnest of a change of heart at Whitehall. Hitherto, British policy in East and Central Africa has been negative. In the interests of the Africans, it has opposed amalgamation between the Rhodesias and Nyasaland and it has attempted to be a bulwark between them and the white settlers. But no positive policy had been offered in return before the course of the war raised the well-known obstacles—and excuses.

It is probably true that at the present stage of the war far-reaching schemes of reform cannot be carried out. But even if they must be deferred for the time being, there is no reason why they should not be made known. The Government should first of all restate its adherence to the doctrine that native interests are paramount—this is necessary since there is a party in Northern Rhodesia calling for the abrogation of this doctrine—and its determination that the wartime expedients, which have interfered with it, will be abolished as soon as is practicable. Secondly, it should declare what it intends for the future of those parts of East and Central Africa still within its jurisdiction. There are, it is true, other parts of the colonial empire where the need for a policy is no less urgent than in the colonies of East and Central Africa. But it is there, caught between the reactionary views of the white settlers and the Southern Rhodesian Government on the one hand and the apparent enlightenment of the Union Government on the other, that the worth of the British people's new outlook on the colonies will first be tested.

Germans call them, have been prolonged. The Grozny oil fields have not yet been seized; and Novorossiisk has not yet been reached by von Bock's forces operating from the Krasnodar region. The strategic dilemma—whether or not to attempt a crossing of the Caucasus mountains—confronts the German High Command in an even more acute form than before. In laying their plans, the Germans will now have to reckon with the likelihood of close Anglo-Russian co-operation in the defence of Transcaucasia. The participation of General Wavell and of the Middle East Air Force chiefs in the Kremlin conferences was, no doubt, significant. Should the Germans decide to strike across the mountains, they might offer the Allies an opportunity to open up a "second front" in this theatre of the war—a prospect which may well deter them. Stalingrad remains the pivotal sector of the front, and here the defence has already proved incomparably stronger than anywhere else in the course of this year's campaign. There has been a slight German advance in the region of Kletskaia and alternating retreats and attacks around Kotelnikovo. The decisive phase of the fighting is still to come. Whatever the ultimate results of the battle of the Lower Volga, it is certain that Stalingrad will pin down von Bock's forces for a considerable time. Meanwhile, the summer is drawing to a close; and, in spite of all the territorial and tactical gains scored, the German High Command is almost certainly behind schedule in its attempts to force a strategic dénouement. The war of attrition in the East cuts both ways. For the time being, the drain on Russia's forces and resources is still heavier. This has again been illustrated by the recent official Soviet figures of losses sustained in three months' fighting. These have been more than 600,000 dead, wounded and missing, more than 2,000 tanks, 3,000 guns and 2,000 aircraft.

Latest Model

Once more the Middle East Command has been remodelled. General Alexander, with an outstanding reputa-

tion from Dunkirk and Burma, succeeds General Auchinleck as Commander-in-Chief. Lt.-General Montgomery becomes Commander, Eighth Army, in succession to Lt.-General Ritchie, who was jettisoned after the grave tank defeat in Libya in June. So the kaleidoscope takes yet another turn. First, General Auchinleck replaced General Wavell, then Major-General Ritchie replaced Lt.-General Cunningham in charge of the Eighth Army on the battlefield; then, again, on the battlefield, General Auchinleck himself took over from Lt.-General Ritchie. It is idle for any layman to speculate on the merits or demerits of all these chops and changes. Obviously, whatever advantages may have been secured must have been appreciably offset by the marked elements of discontinuity—which is in striking contrast to the long tenure of Rommel's command. The latest team is excellent. The Egyptian front and the hinterland in Palestine and Syria are vastly more important even than they were, now that the Germans are surging into the Caucasus. Obviously, the British aim in early summer was to clear this flank by driving Rommel back to Tripoli or beyond, before the German offensive in Southern Russia was set in motion. But Rommel struck first; he advanced into Egypt, and every effort to dislodge him from what seemed a precarious position has so far failed. The task of the new Commanders is not a light one. They have not only to defeat and destroy Rommel, but also to plan and time their blows and their disposition so as to give the maximum aid to their Russian Allies at the crisis of their stand.

Outlook in India

The past week's disturbances in India, though still serious, have been on a reduced scale. Unrest is scattered and sporadic. In the Central Provinces it has died down. Apart from Calcutta and Dacca, Bengal is quiet. The most disturbed area is still Bihar and the Madras Presidency. There is no sign of any mass movement of national revolt, and Mr. Gandhi's principle of organised passive and non-violent resistance has been ignored by the leaderless rioters from the outset. Nevertheless, Indian opinion of all shades remains concerned and anxious. Even those who agree that the Indian Government had stern measures forced upon it not unnaturally regard the reintroduction of the punishment of whipping as a deep humiliation. All sections, including members of the large Indian majority on the Viceroy's Executive Council, seem eager for a settlement in the direction of greater independence at once and full independence later. The Hindu Mahasabha has asked for a declaration of India's free and equal status in the British Commonwealth, and for the decisions of the Executive Council to be made binding upon the Viceroy—which is a crucial point. In its conference at Bombay, the Working Committee of the Moslem League was said to be considering a resolution to authorise Mr. Jinnah to negotiate with Mr. Gandhi for the formation of a National Government to conduct the war effort against the Axis, a condition which would be the acceptance by Mr. Gandhi of the partition of India into Hindu and Moslem States if a plebiscite of Moslems voted for it. The report has, however, since been questioned. The efforts of Mr. Rajagopalachari and Sir Tej Sapru to bring the various political factions together continue. There is talk in some quarters of a fresh offer from the British Government, and even of mediation by the United States. Plainly, both the United States and China, to say nothing of Russia, have an obvious interest in an Indian settlement. Such a settlement might well be made under international auspices. But, for the moment, this is not the immediate problem. In present circumstances Britain can neither repeat the Cripps' offer nor go back on it. The onus rests upon the Indian parties themselves. They must come together of their own accord to establish an agreement, including all the major political groups. This is the prior condition for any definite move, whether sponsored by Britain or by the United Nations at large, and it is a bright patch in the dark sky that efforts to achieve this seem to be in train.

Success in the Solomons?

There is still little precise news from the Solomons. The two restrained communiqués issued by Admiral Ghormley, Commander-in-Chief, South Pacific, show that the shore positions captured on August 10th have been held and developed and that heavy fighting is still going on. The scene of the battle is apparently the islands of Guadalcanar,

important for its potential landing grounds, Florida and Tulagi. The land fighting is being sustained by United States marines. There was a naval action on the night of August 8th-9th between surface vessels. Both sides sustained losses, but the action was terminated by an enemy retreat. This is, virtually, all that is known, yet even from this meagre information, it is already clear that the Allied attack is no mere commando raid. Fighting has now been in progress since August 7th, and, throughout this time, the Japanese have been on the defensive. If the Allied forces have succeeded in securing a bridgehead, the achievement is very valuable, strategically and psychologically. Mr. Fraser, New Zealand's Prime Minister, has pointed out that the fighting now in progress may well decide the fate of Fiji, New Caledonia and New Zealand itself. But more is implied in the Solomons battle than the curbing of the Japanese advance. The process of reconquest may have begun at last. Japanese pressure may well be diverted from China and Siberia. It is for these reasons that the Japanese are not likely to be content to regard the Allied attack as a side issue; they will almost certainly seek to exact a high price from the Allies for their progress. Meanwhile, the threat to Port Moresby has been renewed by a heavy raid on August 17th and by fresh fighting in the Kokoda area.

Mediterranean Warfare

The Admiralty have announced further details of the results of the attack on the Mediterranean convoy which last week succeeded in reaching Malta. The cruisers *Marchester* and *Cairo*, the *Foresight*, and the aircraft-carrier *Eagle* were lost, but it is estimated that at least 66 enemy aircraft were destroyed, and a number of E boats and U-boats were sunk. No details have been given of the losses of merchant ships which, in view of the extreme difficulties of the passage, can hardly have been negligible. Official circles describe the operation as a "limited success." The Germans had made wild claims of sinking or damaging the greater part of the convoy and its escort; the Italians also claimed their share of the glory, and Mussolini boasted of the "annihilation" of the British in the "Roman sea"; an Italian radio commentator, who admitted that the English fought with "courage, obstinacy and fury," implied that the brunt of the battle in the Western Mediterranean was borne by Italian forces. In the Eastern Mediterranean, a British naval squadron carried out an eminently successful operation against the Italian base of Rhodes, in which the defences seem to have been completely taken by surprise. The importance of holding Malta can be seen from the desperate efforts of the Axis to prevent reinforcements from reaching the island. The concentration of enemy naval and air forces in the convoy battle, which lasted for several days, appears to have been tremendous, involving large forces of torpedo-carrying and dive-bombing aircraft, packs of U-boats and numbers of E-boats, as well as a force of cruisers which never came into action. The attack again emphasises the importance of providing adequate air protection for naval forces—the lesson which emerged so disastrously from the sinking of the *Prince of Wales* and the *Repulse*—and the Fleet Air Arm fighters appear to have done remarkable work in repelling the enemy bombers. The Axis undoubtedly have a great advantage over the British in the possession of numerous shore bases for aircraft; Malta itself is isolated; and the losses sustained by the convoy can be primarily attributed to these facts. The price of holding Malta is high. But from the point of view of pinning down Axis planes and pilots, and as a base for intercepting reinforcements to Rommel, it is a price which must be paid.

Open Confession

The cat is out of the bag. It has been released by the agricultural correspondent of the *Times*. Last week the Minister of Agriculture spoke in Yorkshire about the importance of meat production. On Monday, the agricultural correspondent of the *Times* excitedly revealed how Mr. Hudson's speech had been anticipated by the farmers. The numbers of cattle, he boasted, have been fully maintained in most districts. It seems, he went on, astonishingly,

that farmers knew better than Whitehall when at one time they were urged to cut down their cattle, and somehow they have managed to carry them through.

Proudly, he told how the farmers had achieved this by using home-grown crops in place of the official rations of

feeding stuffs which were now prohibited for fattening cattle or sheep. The worst suspicions of those who have been sceptical about wartime agricultural policy are thus confirmed. Simply to maintain the number of cattle, food for livestock has been given precedence over food for direct human consumption; and this has been done apparently against Government orders. It cannot be too often stated that the best use of land and labour in wartime, as distinct from peacetime, is the production of crops for human consumption; it is certain that nothing can justify the use of acreage and crops simply to maintain livestock numbers. The consequence has been a greater demand for shipping to carry food imports; and, at a time when the shipping bottleneck is crucial for all the United Nations, this little outburst of praise for the wrecking tactics of the farmers is a confession of grave abuse on their part and a serious negligence on the part of the Government, which has failed to control the situation.

The Consumers of Coal

The distribution of coal consumption provides an indication of the cuts that have to be made by the various classes of consumers if supplies are to be available for all essential purposes. Before the war, in 1937, when 240 million tons of coal were produced, some 44 million tons more exported, a further 12 million tons more shipped for the use of steamers engaged in overseas trade and 184 million tons were available for consumption in the United Kingdom. Since exports and bunker shipments have already been cut to a minimum—they probably represent no more now than five per cent of current output—the economies necessary to achieve a balance between supplies and essential needs must be made at home, by industrial and other consumers. While there are no published estimates of the distribution of home consumption, it is possible, roughly, to indicate the rate of consumption by industry and transport, on the one hand, and by the remaining consumers, on the other hand. According to the White Paper on Coal (Cmd. 6364), issued last June, about three-fifths of the total output of coal is consumed by industry and transport, either directly or in the form of electricity and gas, leaving two-fifths for all other uses. In his report on Fuel Rationing (Cmd. 6352), presented to Parliament last April, Sir William Beveridge calculated that, by cutting non-industrial consumption by one ton in eight, ten million tons could be saved a year. This means that non-industrial consumption—in which Sir William included the use of fuel for the purpose of keeping human beings warm, clean, fed and lit in the places in which they live and in places, other than industrial, where they go to work, shop, eat, study or be entertained—was then running at the rate of 80 million tons a year, and consumption by industry and transport at the rate of 120 million tons a year. An overall cut in consumption of 7½ per cent, yielding 15 million tons a year, and a 5 per cent increase in output, adding approximately 10 million tons a year to supplies, would solve the coal problem. But in view of present trends in production, an increase in supplies during the next few months certainly cannot be taken for granted, to say the least. Consequently, if a serious maldistribution of the limited supplies likely to be available is to be avoided, cuts must be enforced now in all categories of consumption. To cut, say, 20 million tons off non-industrial consumption—or twice as much as Sir William Beveridge originally suggested—would involve serious hardship among civilian consumers. Clearly, industry, which uses three-fifths of the coal, must contribute to the saving required by improved methods of consumption and by the introduction of a system of allocation, foreshadowed in the Government's White Paper. That there is scope for substantial economies in industry without hampering war production or transport has been admitted by the Government.

Rationing Now

No statement has yet been made about the precise position in the coal industry, though the Mine Workers' Federation, after consultation with the Government on the rate of output and the state of consumption, regards the position as serious. Indeed, the inference from every fact which has leaked out about the coal position is unmistakable. Rationing is imperative if the war industries and the home fires are to be provided with sufficient fuel this winter. It was an extraordinary error of judgment which caused the Government to regard the control of coal production plus voluntary saving as an alternative to rationing. In fact, it was not an act of judgment at all, but merely a political

bargain. By next year, the control scheme may produce solid and satisfactory results in terms of increased output. But its effect is necessarily delayed. The important time is not next year but the coming winter; and, during the transition, when the control plan, with some needless lack of speed, is being run in, it is most unlikely that voluntary saving can achieve the cut needed or the fair distribution which is essential. The Mine Workers' Federation has re-proved its members for the fall in output per man employed, for their lack of regularity in attendance and for unnecessary stoppages. This is welcome frankness. It should be taken by the rest of the community as an indication, not that the miner alone is to blame for the present crisis, but rather that all consumers, industrial and domestic, in the country have also a vital part to play—a part which can only be played, with any guarantee of effectiveness, under orders, that is, by rationing.

War?

The news that five more Brazilian ships have been sunk by Axis raiders follows the announcement of the sinking of an Uruguayan vessel at the beginning of August. In both cases, public opinion was considerably incensed, and demonstrations have taken place in Rio de Janeiro and Montevideo. At Rio, President Vargas addressed the demonstrators, announcing that Axis ships and the property of Axis nationals would be impounded in compensation. The sinkings have aroused speculation throughout Latin America. There is wide recognition that the sub-continent as a whole is being driven steadily nearer to war, and that a decision to fight by the Brazilian Government would make the retention of neutrality, even by Argentina and Chile, the most neutral-minded of the South American states, much more difficult than at present. It has not been forgotten that Axis provocation, in the form of repeated sinkings, was the cause of the Mexican declaration of war. The total of the Brazilian sinkings now amounts to 19, and public indignation appears to be running ahead of the Government. In the circumstances, the decision to set up a joint United States-Brazil Defence Board is highly opportune. A further determining circumstance is certainly the progress of the Solomons fighting, which is being watched with keen interest throughout South America. If Brazil decides to take the plunge, there is, of course, no reason to suppose that the position in Argentina and Chile will be decisively affected. No doubt much hitherto inarticulate political feeling would be crystallised, and the demand in Argentina for intervention on the side of the Allies might be reinforced. But geography is as an important influence as internal politics. For the present, Argentina would remain a long way from the various fighting zones, and Brazilian belligerence might still be insufficient to break the political deadlock in Buenos Aires.

Norwegian Church Crisis

The Norwegian bishops have won a victory. The Church Department has announced that no more

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"Quisling" bishops are to be ordained. This is the culmination of a long and tenacious struggle by the clergy against the attempts of the Quisling authorities to regiment the Church. During the first months of the occupation, the Church was quiescent, relying on the assurances given by Terboven that the guarantees of religious freedom laid down in the Hague Convention would be respected. But, with the growing lawlessness, persecution and acts of violence perpetrated by the new regime, in particular the suppression of the courts of justice and the interference with the ministers' "pledge of silence," the Church could no longer hold aloof. In January, 1941, the Bishops of the Norwegian State Church sent a letter to the Department of Church and Education, demanding a clarification of the position of the Church vis-à-vis the state; no satisfactory reply being forthcoming, they authorised their letter to be read in all churches, which was done widely, despite the authorities' orders to the contrary. All seven bishops were deposed, and some, including the Bishop of Oslo, Dr Berggrav, were imprisoned. The great mass of the clergy resigned in protest, and only two out of 1,100 withdrew their resignations upon pressure by the authorities. A deadlock resulted; and, though the Quisling Government has nominated bishops and clergy to fill the places of the loyal clergy and has been busy ordaining new clergy from the members of the Nasjonal Samlung, the population has boycotted their services and sermons—and the Norwegian clergy have refused to accept directions, or even to open correspondence from the puppet bishops. The deposed bishops held a conference in Oslo last month and issued a manifesto instructing the local pastors to carry on, even if they had been deposed, and to pay no attention to the quisling leaders; it enjoins them to wear their clerical robes and to perform their usual offices; it tells the deans to keep in touch with their rightful bishops; and it lays down as a condition for the resumption of negotiations with the state department the recognition of the Church bishops, headed by Dr Berggrav. The lead of the Church is bound to have an important effect in stimulating the national opposition movement, already formidable and daily growing in strength. A pamphlet just issued by the Interallied Information Committee in London shows that the Norwegian clergy are not alone in standing up to persecution, but that clergy in nearly every country of Europe—whether Protestant, Catholic or Orthodox—are determined to resist the attempts to nazify religion.

Finnish Prospects

Of all Germany's allies and co-belligerents, the Finns must be among the most unhappy. The economic situation in Finland appears to be desperate. Already in December, 1941, the paper *Social Demokraten* reported that the country was threatened with starvation. A review of the Finnish press during the last few weeks shows that the measures taken by the Government to avert inflation, to control profiteering, and to safeguard food supplies, have not been successful. "Evidence of real hunger" is reported, with shortages of milk, fats, vegetables and fish; rations are "painfully small"; clothes and shoes are unobtainable; prices are soaring, and the prices of butter and milk have risen since the war by more than 100 per cent; there are "fantastically high prices on the black market," and profiteering in berries; shops and property have been looted by organised gangs of boys; the harvest may be ruined by bad weather and the shortage of labour to gather it in; political tension is said to be acute. It is no wonder that rumours of a separate peace are again prevalent. In May this year, President Ryti is said to have informed Berlin that Finland, in view of its heavy losses—estimated by the Nazis at one-seventh of the original strength killed, and many thousands wounded and missing—could not continue fighting. It is not known what promises were made, or what pressure was brought to bear upon the Finns, when Hitler himself visited Mannerheim in June; but they were apparently sufficiently tempting to induce them to continue. When M. Paasikivi was asked during his recent Copenhagen visit about the possibilities of peace, he said that the "question had been much discussed in Finland, but we see no chance of it." He added, plaintively, "If only the world would understand that we are waging our own fight for existence and nothing else." He is also quoted as saying that Finland had now recaptured the territory lost to Moscow in 1940, and as much additional territory as is considered "strategically necessary." It will be recalled that the Finns were informed last August, through Mr Cordell Hull, of Russia's willingness to

negotiate a peace, making territorial concessions; they have been pressed by both the Americans and the British to content themselves with the recovery of lost territory. Their reply was to dispatch their Foreign Minister to Berlin to sign the anti-Comintern pact. That Finland is not a free agent, and can have no independent aims and interests, apart from those of the Axis, is shown by the fact that Finnish troops are apparently now fighting on the southern front. It is true that this has been indignantly denied by the Finns themselves, and Field-Marshal Mannerheim recently declared that "Finnish soldiers would fight only in the north." But Finnish papers have admitted the presence of some "volunteers" in the Don valley, and the *Frankfurter Zeitung* has referred to the "endurance and persistence" displayed by Finnish detachments on the southern front.

Merseyside Dockers

Last week *The Times* published a report, based on the observations of a dock supervisor, which contained strong criticisms of organisation and labour discipline at the Liverpool docks. Mr Gibson Jarvie, the Regional Port Director, replied forcibly, protesting against the article and denying most of its charges, though he admitted they contained a "small element of fact." The report stated that the rate of absenteeism is very high; that many dockers work till they earn the guaranteed minimum of £4 2s. 6d. and not beyond; that, because control and supervision are loose, work-dodgers "get away with it"; that work is badly distributed among the stevedores; and that the Mersey Docks and Harbour Board has not kept pace with modern developments. A number of these criticisms are almost certainly exaggerated; stories of men coming drunk to work, knocking off to make cups of tea, leaving their jobs without permission and the like, tend invariably to be magnified into general statements from isolated instances that may actually have occurred. But it is hard to believe that there is no basis at all in the allegations, and it certainly seems that the facts of the situation should be impartially examined and made known. Mr Jarvie's disclaimers tend to be somewhat more forceful than convincing, and a further letter to *The Times* from three Liverpool supervisors has supported the criticisms of the original report. One reason for dissatisfaction among dockers is probably that the older men—the average age, according to Mr Jarvie, is 47-48—have not yet become accustomed to the new method of work. This is natural; and the opposition on Clydeside to the decasualising scheme was in itself symptomatic of the "conservatism" of dock workers. Yet the scheme has hitherto been held to be working well in Liverpool, where the recent "Honours Week" was alleged to have been a great success. The latest allegations are so serious, and the need for removing obstacles to efficiency and ensuring the maximum speed in turn-round of ships is so urgent, that an immediate investigation into the whole position on Merseyside by an independent and authoritative body seems essential.

The Middleman

Many merchants, brokers, dealers, factors and other types of middlemen have been, or are likely to be, squeezed out of business by the exigencies of the war. In many cases, their services are either not needed at all, or only to a small extent. For example, the recent decision to dispense with the grading of cocoa at ports, owing to the need for saving time in the discharge of ships and in the removal of goods from quays, has made redundant the services of the experts hitherto used by the Ministry of Food and deprived them of their remuneration. At the beginning of the war, the Government undertook to use the existing channels of trade in so far as that was compatible with the war effort. In the event, as the London Chamber of Commerce has pointed out in a letter sent to the Ministers of Food and Supply and to the President of the Board of Trade, the same type of trader may be reasonably employed and remunerated by the state in respect of one commodity and threatened with virtual extinction in trading in another. There is, of course, no reason why middlemen should be employed by the Government if they are not needed, and discrimination among them is no more iniquitous than it is among the rest of able-bodied men and women who are directed into the Services or other war occupations, often at considerable loss of income, and with no guarantee of reinstatement after the war. Like the Retail Trade Committee, in its second report, the London Chamber of Com-

merce suggests that the future of middlemen, driven out of business during the war should be safeguarded by "some form of licensing" giving them preferential rights of re-entry into the trade. The "closed shop" offers no satisfactory solution of the problem, which is by no means confined to middlemen. Britain cannot prosper under a resuscitated gild system, but only by providing full freedom to individuals to choose their calling, trade or profession. The real remedy for the distress of financial war victims—and it is a very serious fault that, in three years of war, no consistent attempt to apply a remedy has been made—is the adoption of the principle of deferred compensation, subject to immediate relief in necessitous cases.

Restraint of Trade

Restraint of trade thrives on wartime soil. All middlemen and merchants, to say nothing of manufacturers, hope that their reward for being at war, or the remedy for wartime distress, will be the right to close their occupation against newcomers when the war is over. The National Federation of Building Trades Employers has just appointed a committee to consider a statutory scheme for the registration of builders on what they call a qualitative basis. There is every sign that this body, like so many other similar associations in all sorts and kinds of trades, is hard at work producing the blue prints for a rigid gild system, with qualification tests, registration, control of trade—and probably control of prices—and all the other paraphernalia of restriction. It is a movement which deserves the closest scrutiny from everybody who has faith in the industrial and mercantile future of this country, because hopes will be rudely dashed if this kind of restraint is laid upon British enterprise. Restraint by no means always waits for an opportunity after the war. A trader in Lewes, selling from a hand barrow from door to door, presumably with the appropriate licence, has been told by the authorities that he must conform to a local traders' scheme for restricting deliveries; he must cease to push his barrow and stand motionless in some central place. Why a scheme designed to save petrol and rubber tyres should be turned to the peregrinations of a handbarrow is not explained; perhaps the leather control, to save boot leather, will finish off the Lewes trader altogether. It is obvious what has happened. The traders who drafted the delivery scheme are afraid that it may give an advantage to ambulant traders; hand barrows become "unfair competition." Shopkeepers have always disliked shopless competitors. Bakers resent the sale of bread in shops that are not bakers' shops. Coffee stalls are anathema. At one time in Bavaria, special taxes were introduced on hawkers and the vendors of bottled beer in order to protect shopkeepers and beer gardens. The war should not become an excuse for allowing these restrictive and self-interested practices to take root, let alone riot.

Third Party Law

The House of Lords recently gave judgment in the case of Miss Merle Oberon's chauffeur, and so brought to an end a legal episode which is perhaps as fantastic as any scenario in which Miss Oberon will ever be cast. The episode starts when Miss Oberon is being driven through London in her own car by her own chauffeur, Mr Digby. There is a collision in which Miss Oberon is somewhat seriously injured. She brings an action against the driver of the colliding car, and the court finds that both drivers were to blame—Digby to a very small, and the other driver to a very great, extent. As Digby was Miss Oberon's servant, his trifling contributory negligence prevented Miss Oberon from recovering any damages from the other far more blameworthy driver; but she had prudently included Digby as one of the defendants, and (as the defence of contributory negligence put up by the other driver was not open to Digby) she got judgment against him for the whole amount of £5,000. But could Digby pay? And if he could not, was he covered by insurers who could? That was just the question that came before the House of Lords. It was admitted that he had no policy of his own; but Miss Oberon's policy, in its third party section, covered the liability of any one who was driving her car with her consent, for injury done to any person. Digby argued that the words "any person" included Miss Oberon, although she was the policy-holder, and that, whenever he was at the wheel and she was a passenger, she had a dual personality, being (a) the insured party so far as

damage to the car was concerned, and (b) a third party as far as Mr Digby was concerned. If the car was smashed she was the insured. If she was injured she was the third party. In the Court of Appeal, he lost his case, and the General Accident, who had issued the policy to Miss Oberon, won. In the House of Lords, out of five judges, two were for the General Accident and three for Digby, so Digby wins on the post by a short head, and gets back his £5,000. The moral for motorists seems to be—never drive your own car, but get a friend or chauffeur to drive it for you. By doing this, you will always be in the position of a third party on your own policy, and one way or the other you get your insurers every time. You win impartially on swing and roundabout.

Shorter Notes

The Committee set up in April to consider ways of removing "the reluctance of juvenile workers to enter the coal-mining industry" has reported. National minimum wage rates for juvenile miners are advocated. Proposals are made for the comprehensive training of juveniles in working hours, at training centres and in production units. It is suggested that youths of 18½ in other industries, called for military service, should be able to opt for coalmining, and that attention should be paid to the upgrading of older youths.

The following table gives the number of civilian casualties in air-raids since September, 1940:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept. 1939-Aug. 1940..	1,407	1,624	3,031
Sept.-Dec., 1940	21,740	27,312	49,052
Total, 1941:—	20,520	21,451	41,971
1942:—			
January	112	61	173
February	22	21	43
March	21	13	34
April	938	998	1,936
May	399	425	824
June	300	337	637
July	368	803	1,171
Totals to date....	45,827	53,045	98,872

Of those killed in last month's raids, 167 were men, 160 were women, 40 were children under 16, and one was unclassified.

An announcement in a recent issue of *Le Temps* stated that henceforward the German authorities would not accept parcels of potatoes sent from people in France to prisoners of war. It is easy to read too much into news items of this sort from German Europe, but it does suggest, first, the miserable condition of French prisoners of war, since their relatives wish to send them potatoes; and, secondly, the strain on the transport system of German Europe, since the Nazis have been compelled to stop the traffic.

The result of South Poplar's by-election was a victory for the official Labour candidate, who obtained a majority of 2,834 votes. The election provided a good illustration of the unsatisfactory state of the electoral register and the apathy of those electors who remain, for out of a pre-war electorate of 46,000, only 3,916 turned out to vote.

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AMERICAN SURVEY

Shortage of Metals (From an Industrial Correspondent)

Cleveland, August 6th.

THIS middle-eastern industrial province, seat of most of the steel industry, a large part of the aircraft industry, and what was once the automotive industry, now has to contend with a harassing unbalance in the supply of materials. This is in part the result of "too much too soon," and in part of failure to imagine in time the bites which war would take out of metal supplies.

The squeezes in materials have now gone considerably beyond the congestions and shortages which in peace time would have brought on, from the physical side, an industrial depression and stock market panic. Their correction is in the hands of the War Production Board, which is using various types of priority orders and quotas to smooth out the flow of the essentials. As the *Iron Age* says, "WPB frantically is attempting to restore order."

Several Ohio and Michigan plants have had to slow down their output, usually by shortening the length of the working week. The decision of eight Government agencies, including the War and Navy Departments, to recommend to industry the general return of the 48-hour week from such working schedules as 56 and 60 hours, is suspected by some observers of being aimed at bringing the fabricating industries in general into line with the supply of raw materials, especially of metals.

Donald M. Nelson, chairman of the War Production Board, won his long argument with Lieut.-General Brehon B. Somervell, head of the new service of supply, over the command of materials. General Somervell had held out for military prerogative in deciding the allocation of these materials. But Mr Nelson convinced him that certain civilian needs also had to be met, particularly the supply of industrial goods, and that the WPB should continue in charge. Supplies of consumer goods in metals, and a few other materials, have been or are being almost entirely suspended, but the turn in the European outlook led to the conviction that a diminution of industrial capacity could not be safely risked.

The output of agricultural machinery, heavily centred in Indiana and Illinois, is being cut from the 80 per cent of 1940 volume to 25 per cent. The programme of expansion in electricity generation is being cut 40 per cent.

The Causes

Contributing to the shortages and unbalances in the supply of metals, chiefly steel, are the following:

(1) The withdrawal of several millions of tons of steel for shipment to Britain, including the steel which would become mill scrap or "home" scrap if it were finished in this country, thus leading to shortages of steel on the finishing end as well as shortage of scrap. Among these exports has been a quantity of high-grade alloy steel for Soviet Russia.

(2) A continuing, though rapidly diminishing flow of steel into civilian goods, some of it non-essential.

(3) Unexpected efficiencies in the new munitions plants, including both the large works recently built west of the Allegheny Mountains, and former civilian-goods industries converted. Expectations for their output had been based in part on experience in Government arsenals, which had been making the same products in small quantities, and in part upon the estimates of the manufacturers themselves in taking the contracts. Most manufacturers sought to be conservative in their promises, and many of them overdid their modesty.

(4) Unexpected inefficiencies of a number of the sub-contractors, many of them marginal and poorly tooled, trained, or managed, these leading to delays in delivery of essential parts. (Several hundred of these plants will be closed.)

(5) A too-rapid accumulation of stocks of materials by concerns stepping up their production, and seeking to en-

large their stocks of materials to the former relationship between stocks and production.

(6) Overdue repairs in plants which have been running "around the clock" and on Sundays and holidays.

(7) Many incidental reasons, such as strikes and the growth of absenteeism among factory workers.

The demand for warehouse space has been inordinately great, not only for reasons familiar to the British, but also because of the existence of these surpluses. Some factories which cannot be converted to war production are now being used for storage, again as in Britain. Component parts of ammunition, artillery and other goods, which had been turned out far in advance of parts which go with them into the assembled product, are also being stored in these warehouses. Many acres of new warehouse space are under construction.

What civilian production remains, as in stoves and farm implements, is now being concentrated in nucleus plants, following the British example. In problems relating to manufacturing, the United States employs British experience in many instances, and in matters of price control and the like, Canadian experience, which in turn draws on British experience.

American Notes

Ham Fish Again

The renomination of Mr Hamilton Fish as a Republican candidate in New York and the success of a substantial number of other candidates with records of pre-Pearl Harbour isolationism were the disappointing, but not entirely unexpected results of the primaries held last week in five states, New York, Ohio, Nebraska, Idaho, and Arkansas. The returns have been interpreted in some quarters as a rebuke to the President and Mr Willkie. It may be doubted, however, whether registered Republicans and Democrats went to the polls with any clear idea of chiding the outstanding figures in both their parties. The case of Ham Fish is the most striking of all, and illustrates the weight of the influences opposing any radical reform of either party. Mr Fish was concerned in the trial last year, of the Nazi agent, George Sylvester Viereck, who, it was disclosed, had used Mr Fish's office and franking privilege, although apparently without Mr Fish's knowledge. Sensational charges were brought against Mr Fish only last week, when the *Washington Post* published allegations that he had accepted a secret \$25,000 dollars fee from the dictator of the Dominion Republic, General Trujillo. Mr Willkie had made an appeal for the defeat of Mr Fish at the primaries. The deaf ear turned by Republican electors was the result of a number of factors. The vote was light; only about one-third of the registered Republicans in the district participated. Those who troubled to go to the polls to support Mr Fish were probably swayed by some resentment of the interference of national figures in what was considered to be primarily a local matter. But even more persuasive was Mr Fish's devotion to the interests of his constituents over a long career in Congress. The ability of an assiduous Congressman to do small favours for his supporters, both in the dispensing of patronage and in other ways, is very great. There is also evidence of a generous disposition to pardon errors of judgment on the part of candidates, on the grounds that they were widely shared by the electors themselves. The main test, the November elections, may show something more inspiring than the apathy and indifference to the record that have characterised so many of the primaries. What the present contests prove most emphatically, in view of the fact that only one Senator and 15 out of 250 Congressmen running for renomination have fallen by the wayside, is the way in which the scales are tilted in favour of those who have had the opportunity of building up their position in office.

Storm Over Higgins

The Maritime Commission fell into a hornets' nest when it cancelled its biggest single contract for Liberty ships, granted to Andrew Jackson Higgins. The reasons put forward by the Commission were the shortage of steel and the fact that the new yards would not go into full production until 1934. It was argued that existing facilities were proving so efficient that no further plant construction was necessary to fulfil the shipbuilding programme, and that the steel required was needed for the ships themselves. According to the Commission, the projected \$60 million yard, on which \$10 millions has already been spent, would need "vast new facilities, such as shipways, shops, machine tools, railways, and transportation and housing for workers." The reaction of Mr Higgins—and his Louisiana Congressmen—was fierce enough to prompt a Congressional Investigating Committee to look into the case. The wildest allegations have been made: that the steel shortage was just a pretext, which would vanish if the big steel companies would allow the development of Southern ore deposits; that steel could easily be obtained on the black market; and that the decision was the result of racial prejudice, as Higgins was planning to use negro labour to a very large degree. In answer to the Commission's characterisation of the Higgins yard as that "with the highest cost per ship to be constructed under any of the Commission's contracts," Mr Higgins is reported to have said, darkly, "Perhaps the trouble is that we were going to build too many ships too cheaply." The resentment of Mr Higgins and New Orleans is understandable and his regrets are certainly shared by the Maritime Commission, which is under the strongest pressure to produce every possible ship. It seems likely that the enthusiasm with which the case has been taken up is based less on its merits than on the fact that it is a convenient stick with which to beat the Administration. There is singularly little proof of Mr Higgins's efficiency as a builder of big ships. His reputation was built up on the provision of small surf-landing boats and tank lighters for the British and American navies and stories about him dwell less on solid achievements than on the colourful tale of how on one occasion he closed off a city street without permission, and covered it with tarpaulins to improvise a workshop for a rush order of Navy lighters. His initiative and aggressiveness are unquestioned, but a record of three bankruptcies is not altogether reassuring. It is probably significant that the order for 100 Mars flying boats went to Henry Kaiser in spite of Higgins's attempts to secure it. But the main reason for the cancellation seems to have been simply a lack of adequate foresight last March, combined with faulty allocation and control of steel supplies; and it is little use crying over spilt steel.

Grey Markets in Steel

The most sensational development in the investigation into the cancellation of the Higgins contract for Liberty ships was the allegation that the firm had relied on "boot-leg" steel. Andrew Jackson Higgins, the New Orleans shipbuilder, who in March obtained a \$385 million contract for 200 Liberties, told a Congressional Committee that he had been offered steel from various sources for which he would not have to provide priorities. Instructing his son to name these sources, Mr Higgins commented, "We will kill the source of our supply, but the tallow might as well go with the hide." The War Production Board has hastened to assure the public that there is no black market in steel "as the term is popularly understood"; the steel in question had not been diverted from war production, but had been legitimately acquired by warehouses which should, of course, have reported the existence of their stocks to the proper authorities. This attempt to whitewash black markets will convince no one. The steel may not have been acquired illegally; but, at a time when war factories are shutting down for lack of steel, when lend-lease allotments are being cut and the Kaiser shipyards producing at less than capacity because of the shortage, the fact that supplies were being distributed outside the priorities and allocation controls cannot be explained away so easily. Nor does the explanation appear to cover all cases. The temporary injunction obtained by the Office of Price Administration against Willard Markle, a Cleveland steel operator, prohibits him from purchasing and reselling steel in excess of the OPA maximum price. The amounts involved may, of course, be small, but there appears to be more fire behind the smoke than WPB is willing to admit.

The Case Against the "Tribune"

Proceedings have now been instituted by the Government against the *Chicago Tribune* for having published on June 7th, a story that the US Navy had advance knowledge of the strength, disposition, and composition of Japanese naval units at the battle of Midway. The question at issue is whether the *Tribune* and its two satellite papers, the *Washington Times Herald*, and the *New York Daily News*, which also published the dispatch, are guilty of violating the 1917 Espionage Act. According to cabled reports, the charge is not so much that information was given to the enemy, as that the report contained indirect indications about the methods of American naval intelligence. The *Tribune* insists that its dispatch was based on expert deduction rather than secret information. Action against the accused group of papers is a delicate and explosive political issue for two reasons. Before Pearl Harbour, they followed an irreconcilable isolationist line and, since the declaration of war, their tactics have been consistently obstructionist and anti-Administration. A number of Isolationist Senators from the Middle West have already raised the cry that the Administration is using the Midway report as an excuse for suppressing opposition newspapers. A further complication is introduced by the fact that Colonel Knox, the Secretary of the Navy, was the publisher of the *Chicago Daily News* before he joined the Government. A denial has had to be issued to the charge that Navy releases were timed to favour the *News*, which received other unfair advantages; and the *Tribune* has even hinted that it was Secretary Knox's interest in its rival which led to the institution of the present trial. It is excellent news that the Government has not been intimidated by such scurrilous suggestions, and that the facts are to be investigated by a Federal Grand Jury.

* * *

One Lump or Two ?

The Office of Price Administration continues to resist the determined attempts of the industry to force the de-

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rationing of sugar. In defence of its restrictions, the Food Rationing Division has announced that the object of rationing is to have sufficient supplies on hand on January 1, 1943, to guarantee the current half-pound a week for the first nine months of next year; it has, however, held out the hope that, if shipping conditions improve, bonus allowances of sugar may be granted. The campaign conducted by the industry has been vigorous and persistent, although it has never attained the acrimony surrounding petrol rationing. OPA rationed sugar at the manufacturers' level and to consumers with the aim of holding consumption to 5 million tons in 1943, on the grounds that only 5.3 million tons would be available. The anti-rationing bloc has been arguing, more and more loudly, that supplies in the USA and Hawaii, Puerto Rico and Cuba, instead of falling to that level, are in the neighbourhood of 8½ million tons; that warehouses are bulging and refineries operating at one-third of capacity because they cannot sell their stocks; that imports have been 100 per cent over what was expected; and that shipping—the heart of the problem—must be found to bring away the West Indies sugar crop, because failure to do so would have disastrous economic and political repercussions in the islands. On these questions of fact, the OPA has presented a strong case for its policy. What is harder to combat is the suggestion that the Administration rationed sugar unnecessarily as a means of testing the technique of distributing consumers goods in short supply; and the even more damaging insinuation that ration books were introduced as an effective means of bringing the war home to the American public. The case made out for rationing by OPA is that recent sinkings in the Caribbean make it impossible to count on supplies from that area; that in any case ships are needed for more urgent purposes; that supplies in the US are not as great as the industry contends; and that finally the bulging warehouses are not general, that in fact there are regions of real shortage, principally in Indiana, Illinois, and Ohio. As in the case of petrol, the scarcity is to a large degree the result of internal transport difficulties, and the bulging of warehouses is due more to the shortage of storage than to excesses of supply. To a certain extent OPA has undermined its own position by promising increases in the ration if shipping conditions improve. Allowances for jams and preserving are already generous; syrups and honey are un-

rationed; sweets are plentiful, and "invisible hoards" of housewives and industry are probably substantial. In view of the need for ships for other purposes and the fact that two-thirds of the American sugar supply must be imported, there would seem to be a strong case for husbanding available stocks.

Shorter Notes

William Dudley Pelley, leader of an American Fascist organisation known as the Silver Shirts, has been found guilty of sedition, and sentenced to 15 years' imprisonment in the Federal Court in Indianapolis. This was America's first major sedition trial of the war.

Two steps to expand steel capacity in the Western Hemisphere have been made known this week. Mr Henry Kaiser is constructing California's first steel plant, with a daily capacity of 1,200 tons; and an agreement has been reached between the United States and Mexico for a loan of \$6 million to establish a steel plant at Monclova, Mexico.

The War Production Board has announced that precision radio detection equipment is to be manufactured by the chocolate industry. The reasons given are that the plants are exceptionally clean, and the employees skilled hand-workers.

The meat shortage in certain parts of the United States, particularly the East, has become so acute that rationing of meat or meatless days may be necessary. The supply of meat is above normal, but consumption by the Services and the effect of higher incomes for workers has created regional scarcities, particularly in big cities. Even in Chicago butchers have had to close. An attempt is now being made by the Government to stimulate the consumption of cheese, milk, and poultry instead of meat.

Because of "unsafe conditions abroad," the Chicago and Eastern Railway has announced that its round-the-world tours are cancelled until further notice.

THE WORLD OVERSEAS

Iceland's Problems

(By a Correspondent)

August 10th

POLITICAL excitement flared up in Iceland recently. Before last January, there was a national government in power, formed by the three leading parties, the Independence Party (also called the Conservatives), which stands for complete independence from Denmark, but also for social reforms; the Progressive Party, which is primarily concerned with the interests of the farmers, and the Socialists. In January, the Socialist member Stefansson, a trade union leader, resigned as a protest against a law prohibiting strikes for the duration of the war. This changed the Government from a national one into a coalition of the remaining two parties, which had to face Socialist opposition when the Althing met on February 15th. At its opening, the Socialist Party proposed the amendment of the electoral law, which all parties, except the Progressives with their country constituencies, disliked because they considered themselves inadequately represented in the Althing. When the Socialists, therefore, introduced the amendment, they found they had the support of the Independents and of the Communists, who had three seats. When it was evident that the Bill would be passed, the Althing dissolved itself and the Prime Minister resigned on behalf of the Government, but was asked by the Regent to form a new Government after negotiations with the Socialists and the Communists. As their support was essential for the passing of the Bill, the Socialists and Communists agreed to give their neutral

support to an Independence Party Cabinet which undertook to pass the Bill, call new elections, and then have them confirmed at by-elections held according to the terms of the new law.

The present Government of the Independence Party is the first one this party has formed for 15 years; after its defeat in 1927, it had only taken a minor part in various coalition governments. It is headed by Olafur Thors, who combines with his Premiership the duties of Minister for Foreign Affairs and Minister for Communications. Professor Jonsson is Minister for Education and Minister for Commerce, while the offices of Finance and Justice are held by Mr Moller.

The most noticeable event at the recent elections, which were held according to the old system, was the substantial increase in the Communist vote. The elections showed the following results:

	Percentage of Votes Cast		No. of Seats
	1937	1942	1942
Independence Party	41.3	39.6	17
Progressive Party	24.9	27.6	20
Communist Party	8.5	16.2	6
Socialist Party	19.0	15.3	6

The Althing will be re-assembling in the near future. Immediately afterwards, fresh elections will be held in accordance with the new system, and another Government

will be formed. The new Government will have to cope with complicated questions, as, in spite of the present prosperity, the economic situation of Iceland is by no means secure.

Iceland's Lend-Lease

As Iceland's production is one-sided and its natural resources poor, the country needs machinery, materials for shipbuilding and ship repairs, electrical goods and building materials—in short, industrial goods in return for fish and fish products. It was, therefore, clear that as Great Britain needs Iceland's fish and fish-oil, concessions had to be made regarding British exports to the island. It was accordingly decided to include Iceland in the lend-lease agreement, so that Great Britain could re-export lend-lease goods to Iceland under a special agreement between Great Britain and the United States. Later on, when it became evident that in the long run Britain could not cope with the demand from Iceland, the United States agreed to buy the whole of the Icelandic fish catch until June, 1943, on behalf of Great Britain, and to pay for it in dollars, which could be used for the purchase of Icelandic needs in the United States. Icelandic requirements are, under this agreement, going direct to Iceland from America. This new agreement also covers America's purchase of the herring-oil production of Iceland, half of its cod-liver oil, and 25,000 tons of herring and other fish meal. The Icelandic authorities estimate that they will be able to sell 300 million kronur worth if the catches are normal. As a result of this agreement, there is a tendency for imports from Great Britain to Iceland to fall, whereas imports from the United States are increasing.

It cannot be denied that prosperity has also brought certain dangers. Insufficient taxation and inadequate control of prices have made inflation possible. The note circulation in April, 1942, amounted to 62 million kronur, compared with only 12 millions in April, 1939. The cost of living index for June was 183, compared with 100 in January to April, 1939. This index is based only on absolute necessities. The index for food alone was 226 in April. The price of home produce has risen much more than that of imported commodities. Meat has more than doubled in price, milk is about two and a half times as much, butter three times and eggs about five times the pre-war price.

The problem facing the Icelandic authorities is what will happen after the war. Iceland has lost a high percentage of its fishing and merchant fleet during the war and, being dependent on imports, is suffering from a shortage of tonnage. Wages are continually rising, and even youths of 16 or 17 are earning nearly as much in one week as their fathers earned in a whole month before the war. What will Iceland do with all those now working for the armies of occupation, and how will the increased cost of production affect Icelandic exports after the war?

Inflation in France?

[BY A CORRESPONDENT]

THE Vichy Ministry of Finance has recently resumed the publication of monthly reports about Treasury operations and the national debt which had been suspended since the outbreak of the war. The first figures, which were published in July, gave an account of developments during the first quarter of 1942. The total sum of the debt rose from 875,125 million francs on January 1, 1942, to 921,890 millions on March 31, 1942. During the same time the advances of the Bank of France rose from 227 to 241.5 milliard francs, that is, by more than 14 milliards. Thus, the actual debt increased from 648 to 680 milliards, or by 32 milliards.

The changes in the composition of the debt are very interesting. The irredeemable debt went down from nearly 54 to 44 milliards. The redeemable debt increased from 216 to 233 milliards. These changes are explained as the effect of debt conversion. The debt which is redeemable by annuities remained unchanged at about 57 milliards. Medium and short term indebtedness rose by 27 milliards, from 320 to 347 milliards.

The accompanying table gives the comparison between the French national debt as it was at the outbreak of the war (August 31, 1939) and the recent figures.

Comment is hardly needed to explain the significance of the figures. Newly created bank money and the floating debt have provided almost the whole of Vichy's credit—

445 milliard francs. The funded debt rose by no more than 32 milliard francs. The indemnity to the German occupation authorities was paid from the advances of the Bank of France. Consequently, the currency in circulation was nearly 310 milliards in June, 1942, about 135 milliards more than it was at the time of the armistice. In 1939, the medium term and floating debt accounted for only one-fourth of the total state credit; by 1942, they made up more than half. The inflationary trend of the whole development has become unmistakable. Only a high output and circulation of goods could prevent such an expansion of currency and short-term credit from exerting a strong inflationary pressure on prices. The French economy of scarcity, with its shrink-

	August 31, 1939 (in milliards of francs)	March 31, 1942 (in milliards of francs)	Difference (in milliards of francs)
Total Debt	445.7	921.8	+476.0
Bank Advances	36.0	241.5	+205.0
Actual Debt	409.7	680.0	+271.0
(a) Irredeemable	54.0	44.0	-10.0
(b) Redeemable	185.0	233.0	+48.0
(c) Redeemable by annuities	62.5	57.0	-5.5
(d) Medium and short term	107.0	347.0	+240.0

ing production and circulation of goods, can hardly preserve its equilibrium against the rising tide of money. The other brake on inflation—control over prices—has been strikingly ineffective in the hands of Vichy.

Until the beginning of this year, the Vichy Government benefited by the abundance of money. Rates of interest on all kinds of loans, long, medium and short term, were considerably reduced; and large scale loan conversions were effected. During 1941, the sum converted was about 50 milliard francs. A series of conversions has also been undertaken this year. It has affected the loans with a currency guarantee, the 1939 5 per cent *rentes*, the 1932 4.5 per cent Treasury obligations, obligations of the Paris municipality, Algerian Government bonds, and so forth. The



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total sum of converted loans is expected to reach 100 milliard francs during the next months; and the Vichy press continually advertises the conversions as a great achievement in financial policy. It has, however, been difficult to conceal the discontent aroused by these measures among the broad mass of rentiers who have been hit by Vichy's "economy," at a time when the cost of living has been rising steeply. The reduction in debt service will amount to about 1 milliard francs at best—the cost of three days of occupation. There has hardly ever been a more scandalous instance of a penny-wise and pound-foolish policy; the pennies are being taken from the small rentiers and the pounds pocketed by the Germans.

It seems, however, that the plethora of money and the consequent easiness in obtaining credit has come to an end during recent months. There have been many symptoms that warrant the view that in the near future the Government will have to meet deficits and occupation payments more and more from bank advances, i.e. by direct money creation, than from actual credit. There are several factors which work in this direction. But the most important one, which has been discussed with much anxiety in the Vichy press, is a fundamental change in the distribution of the national income among the various classes of the nation. The proportionate share of the countryside in the national income has greatly increased at the expense of the town. This has nothing to do with any actual improvement in the economic position of the peasantry. The peasant cashes in higher prices for his agricultural produce, but he is unable to exchange his money against industrial goods. His purse is getting full only to conceal his actual impoverishment. But the impoverishment of the townspeople, industrialists, shopkeepers, clerks and workers is growing at a quicker pace, unhidden by pecuniary appearances. Until recently the industrialist was the main investor in Government securities and bonds. The supply of credit grew as stocks were sold out and could not be replenished, and as factories closed down or restricted their output. But this source of "freed" capital is drying up. The long and sustained boom on the French stock exchanges, which had lasted more than one and a half years, has—since the spring—given place to a general decline in quotations. The peasant, on the other hand, is an unwilling investor. Unable to buy industrial goods for his money, he prefers hoarding to investment; he prefers to keep heaps of banknotes—the

traditional money—rather than exchange them for bonds, the title to money. No wonder that the cry against the countryside's hoarding has recently grown very loud in Vichy's press. To induce investment by the peasants a special type of *bons d'épargne* has recently been issued on favourable conditions. The bonds are for four years, but in a number of cases (marriage, agricultural contingencies, etc.) they may be redeemed earlier; the rate is 3 per cent, tax-free; and in order to allay the peasants' suspicion the strictest secrecy of investment has been guaranteed by the Government.

On the face of it, the hoarding of banknotes by the peasants seems to contradict the inflationary trend. But the whole experience of currency inflation in peasant countries shows that money hoarding by peasants has itself frequently been nothing but a peculiar phase of inflation. Confronted with a scarcity of industrial goods, the peasant sticks to his banknotes as the real value for which he has exchanged his foodstuffs. For a time, hoarding veils the development of inflation; but, by reducing the amount of credit available, it forces further currency expansion. It takes some time before it dawns upon the peasant that his banknotes, too, are losing in value; and only then the critical point is reached; the peasant rushes to spend his money and thus adds—by de-hoarding—to the growing volume of currency.

Vichy's desperate appeals to the peasant's purse are not only a sure indication of the difficulties in obtaining credit which have recently arisen; they also point to the fact that France has already passed through the stage of a "normal" wartime inflation, and that it is now threatened by that type of inflation which was known to many European countries during the early twenties.

Bolivian Tin

[BY A CORRESPONDENT]

IN an article on Bolivia published in *The Economist* on July 25th last (page 109), reference was made to United States assurances regarding an increase in mineral prices. These assurances have now been followed up by an increase in the buying price for Bolivian tin ore paid by the United States Metals Reserve Company. When this company concluded its five years' buying agreement for Bolivian tin ore on November 4, 1940, the price to be paid for ore deliveries within the first year was fixed at 48.5 cents per lb. of fine tin. It was later raised to 50 cents, and it has now been arranged that, with retrospective effect from January 1, 1942, Bolivian producers should be paid at a rate of 60 cents per lb., which is 8 cents more than the current United States tin price "ceiling." As the British tin smelters in agreement with the Ministry of Supply undertook in December last to pay not less than the United States for their tin ore receipts from Bolivia, the higher US buying price automatically affects British purchases in Bolivia. Moreover, a price of 60 cents per lb. corresponds to a sterling price of roughly £335 per long ton, which is £60 per ton more than the Ministry of Supply's current selling price to authorised British buyers; it is not unlikely, therefore, that the revision in the price for Bolivian ore will sooner or later be followed by an increase in the British price.

The economic effects on Bolivia of the increase in the prices for tin ore are obvious from the fact that Bolivia is the only country in the world which is entirely dependent on tin. Normally, about four-fifths of Bolivia's exports consist of tin, and this proportion is likely to rise. For many years, Bolivia was the world's second largest tin producing area (Malaya being the largest), and not until 1936 did the Dutch East Indies succeed in wresting the position from Bolivia. Since the loss of Malaya and the Dutch East Indies, it has become the chief source of Allied tin supplies, and its prospective 1942 shipment of between 40,000 and 45,000 long tons will amount to roughly half the total Allied supplies of newly mined tin. Although all Allied tin-producing areas (Cornwall, Australia, South Africa, Nigeria, and the Belgian Congo) have started intensive tin production drives in recent months every ton of tin that can be obtained from Bolivia is urgently needed.

It is, therefore, important that Bolivia has extensive tin reserves which were estimated by the US Bureau of Mine in 1939 to contain about 500,000 long tons of metallic tin. Bolivia's maximum output so far was reached in 1929, when 46,338 long tons were produced. By a determined effort

Bolivia could exceed its 1929 output. There are, however, considerable technical difficulties in the way, and a high price for Bolivian tin ore is the preliminary to overcoming these difficulties.

Mining Problems

Unlike the rich tin resources of the Far East, which are found in the form of alluvial tin in low-lying soft ground, Bolivia's tin occurs in the form of narrow veins in siliceous igneous rock, found in some of the highest regions of the world. The Bolivian tin belt extends from the Peruvian border in the north to the Argentinian frontier in the south, and most of the mines are situated at heights ranging from 12,000 to 17,500 ft. above sea level. There are considerable transportation difficulties involved in getting the Bolivian tin down to the usual ports of shipment—Antofagasta and Arica in Chile, and, to a lesser extent, Mollendo in Peru. Most of the larger mines have road connections with the Bolivian railway system, which links up with the railways of the neighbouring states; but many of the smaller mines employ llamas for transport to the railheads.

But transport conditions are not the only difficulties of the Bolivian tin mining industry. In some areas, there is water shortage, and in all mining districts there are labour difficulties, especially as, owing to the difficult climatic conditions, only native labour can be employed and the supply of native labour was greatly reduced by the heavy Bolivian casualties in the Chaco war. Nevertheless, after having been stable around 25,000 tons a year from 1935 to 1938, Bolivian output rose to 27,215 tons in 1939, 37,940 tons in 1940, and 42,884 tons in 1941.

Under the new price agreement with the United States, a further rise in production is called for. So far the Bolivian signatories of the supply agreement with the United States, that is, virtually all producers, with the important exception of the Patino Mines and Enterprises, had been under the obligation to sell annually ore containing 18,000 tons of tin to the Metals Reserve Company. The new agreement is reported to refer to an annual minimum of 25,000 tons, but sets 30,000 tons as the annual target. As the Patino Mines, which in 1941 supplied 20,963 tons of tin, or virtually one-half of Bolivia's total production, have a ten years' agreement with the British smelters, under which the whole output of this group will be available for treatment in this country, the other Bolivian mines must raise their output considerably if they are to reach the minimum supplies promised to the United States.

The new price of 60 cents per lb. offers considerable profits to Bolivian producers, despite their high costs of production. As the United States Government has given priority treatment to shipments of mining equipment to Bolivia for some time, the shortage of materials is likely to be eliminated before long. The United States is also prepared to give Bolivian tin producers technical advice and assistance, but there remains one important obstacle—the labour supply position. Perhaps the ability of Bolivian mines to offer better wages may ease this, but it is doubtful whether this will overcome the difficulty.

Books Received

- Hitler's Speeches.* An English translation of representative passages arranged under subjects and edited by Norman H. Baynes. (London) H. Milford. 2 volumes. 50s. net.
- The South Seas in the Modern World.* By F. M. Keesing. (London) Allen and Unwin. 391 pages. 16s. net.
- A Short History of International Affairs, 1920-1939.* Third revised edition to the outbreak of war. By G. M. Gathorne-Hardy. (London) H. Milford. 514 pages. 12s. 6d. net.
- Mobilising Canada's Resources for War.* By A. F. W. Plumptre. (London) Macmillan. 306 pages. 15s. net.
- The Road We Are Traveling, 1914-1942.* By Stuart Chase. (New York) The Twentieth Century Fund. 106 pages. \$1.00.
- Far Eastern War, 1937-1941.* By H. S. Quigley. (Boston) World Peace Foundation. 369 pages. Cloth, \$2.50; paper, \$1.00.
- Housing Before the War and After.* By M. J. Elsas. (London) P. S. King and Staples, Limited. 69 pages. 5s. net.
- Oil and Petroleum Year-Book, 1942.* Compiled by Walter E. Skinner. (London) Walter E. Skinner, 20, Copthall Avenue, E.C. 2. 184 pages. 10s. net.
- The Interests of the United States as a World Power.* By W. H. Shepardson. (Claremont, Cal.) Claremont Colleges. 64 pages. \$1.75.



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Russia at War

Mr. Churchill's Visit

SOVIET press comments have added very little to the official communiqué about the Kremlin conferences. *Pravda* described Mr Churchill's visit as an "important landmark on the road to the further consolidation of the forces of the freedom-loving peoples." Recounting the recent history of British-Soviet relations, the paper reminded its readers that it was Mr Churchill who had acknowledged that "Russia's danger is our danger." The paper also recalled M. Stalin's words about "the feeling of gratitude in the hearts of the Soviet peoples" for the aid rendered to Russia.

These reminders were, no doubt, very timely. The campaign for the "immediate" opening up of a Second Front launched by the Soviet press after M. Molotov's return from London could, naturally enough, have no influence upon the course of military operations. But it probably had a harmful influence upon the mood of the Soviet people. It tended to let loose over-optimistic illusions, and impatience was liable to change into a feeling of frustration and suspicion towards the Allies. The damaging effect of the Second Front clamour on public morale in Russia was tacitly admitted by the Soviet press itself, when it stopped the campaign some time ago. For many weeks, there was no trace of the Second Front slogan in the columns of Soviet papers. Instead, the papers called up a feeling of supreme national pride; and the famous Russian writer, Alexey Tolstoy, compared the Soviet people's task in this war to that of Atlas lonely supporting the whole globe on his shoulders. Mr Churchill's visit must have dispelled any impatience and suspicion. It should also have lessened somewhat the feeling of loneliness of which M. Tolstoy's article was a typical expression. The wording of the communiqué on Mr Churchill's visit has given no ground for any renewal of the Second Front campaign; it contains no vague promises about matters in which only strategical considerations can count.

The Soviet press has so far not committed itself to any specific comments. Instead, it has given much prominence to the pro-Second Front campaign in Britain and the United States. The impression is that the intention is to reassure the Soviet public that, however the matter of a Second Front stands, there exists a powerful section of public opinion in the Allied countries which is working for the speeding up of an invasion of Europe. This is the implication of the press reports, which carry the explicit warning that for some time the Russian people have still to rely entirely upon their own forces. This warning was reiterated by M. Alexandrov, the head of the propaganda department of the Communist party, in his comment on Mr Churchill's visit.

* * *

Harvesting.—The harvest is now in full swing in most parts of Russia. Preliminary reports speak of this year's crop as a bumper one, in spite of adverse weather conditions in various regions. The expansion of the sown acreage in Eastern Russia, and particularly in the Asiatic republics, seems to have been considerably larger than was estimated before. No global figures, covering the whole of Eastern Russia, have been published. But some fragmentary data suggest an astonishing effort, and great success. M. Udasinov, the Vice-Premier of the Kazakhstan Government, has stated that this year Kazakhstan alone will harvest over 12.5 million acres more than last year. According to the 1939 census, the total area under various crops in Kazakhstan was 15 million acres; the increase is therefore nearly 85 per cent. Should this remarkable rate of agricultural expansion be typical, the prospects of this year's harvest may be much better than was expected. The difficulty in making any definite estimates is that no global figures are being published, and M. Udasinov's statement was the first to show such an enormous rate of expansion. In Kazakhstan, spring wheat accounted for more than half of the crops before the war.

How has this success been achieved? The Kazakhstan Vice-Premier's explanation, modest and matter of fact as it is, offers the Soviet version of "toil and sweat":

We are using all our resources, from combines to simple agricultural implements and our own bare hands, to gather in the crops.

The number of the "bare hands" has been greatly increased by the mobilisation of Kazakhstan's townspeople for farming. No fewer than 225 thousand town-dwellers of the republic have been working on the fields since early summer. Kazakhstan's agricultural machinery consisted (in 1938) of more than 25 thousand tractors, 9.5 thousand combines, and 11 thousand trucks.

Another glimpse into the effort made in the Soviet countryside has been provided by the *Pravda* statement that about 2 million teachers and schoolchildren alone have been mobilised for harvesting throughout the country. The call-up of housewives, clerks, etc., must have been not less extensive.

Much emphasis is laid upon the quick delivery of grain to elevators and collection centres. The delivery of part of the crops to the state is made right from the fields. Transport shortages are still prevalent, and special transport brigades have been organised by the farmers to cope with the difficulties. A special decree has empowered local authorities to mobilise for agricultural purposes 50 per cent of urban motor transport, provided that no obstruction to military traffic is caused.

* * *

The Volga Waterway.—The defence of Stalingrad is the defence of Soviet Russia's greatest inland waterway—the Volga. About 30 million tons of goods were transported on the Volga in a year in peacetime. The great Volga scheme provided for a development of Volga transport which would allow for an increase of the traffic up to 120 million tons. The scheme has till now been in its initial stages. Criticisms of the backward state of the Volga transport, as well as of the transport on other rivers, have been made very frequently by the Soviet press during recent years. Before the war, the average intensity of goods traffic per kilometre of river in Soviet Russia was about one-fifth of that in Germany, and less than a half of the intensity of French river traffic. In wartime, however, Russian river traffic has been greatly intensified; and transport on the Volga has grown more important because of the strained railway position. The Volga alone now carries at least 75 per cent of Russian water-borne freight (against about 50 per cent before the war). The main goods shipped in peacetime were oil (about 7 million tons), timber (about 14 million tons) and grain (more than 3 million tons). Since the outbreak of war, the river has also been extensively used for military traffic. The importance of the Volga's lower reaches, and particularly of the stretch between Astrakhan and Stalingrad, can be gauged from the fact that traffic from south to north has been twice as big as that from north to south.

The main harbour towns and industrial centres on the Volga are Gorky, Kazan, Kuibyshev, Saratov and Stalingrad. The industrialisation of the Volga region is illustrated by the following growth of the population of those towns during the Five-Year Plans:—

	Population	
	1926	1939
Gorky.....	222,000	644,000
Kazan.....	179,000	461,000
Kuibyshev.....	175,000	390,000
Saratov.....	219,000	375,000
Stalingrad.....	151,000	445,000

Astrakhan is the only Volga town which shows only a slight increase in population; it numbers about 253,000 inhabitants.

*

Oil Output.—The July figures for oil output have so far not mentioned any results for the Caucasian oilfields. A substantial increase in production outside the Caucasus has been reported. It is said that the total output in the "Second Baku" area and in Central Asia was 10 per cent higher in July than in June. The Buguruslan Trust alone recorded a 30 per cent increase. The oil refineries have made further progress in producing high-octane petrol for the air force; and special processes have recently been developed by which oil with a low-octane index is being turned into aviation spirit.

German Europe

Iron and Steel.—The reorganisation of Germany's arms industries is still continuing. This is a period of transition in the iron and steel and non-ferrous metal industries. Two points are obvious. First, the output of coal and pig-iron is insufficient to keep the production of steel at its present level during the coming winter and spring. Secondly, the present system of allocating raw materials had become an obstacle to changes in production programmes. The cumbersome system of allocation by quotas has now been replaced by a system of cheques in the textile, iron and non-ferrous metal industries. From October 1, 1942, onwards, there will be in use, in addition to textile cheques, iron and non-ferrous metal cheques.

The factory with which orders are placed draws the cheque and allocates material to sub-contractors. The Reich Co-operatives, which have partly absorbed the Reich Control Boards (which are departments of the Ministry of Economic Affairs), are technically an improvement over the Control Boards. The Co-operatives are a combination of industrial federations, cartels and parts of the state economic administration, and they cover whole industries. The Control Boards were concerned with one raw material; the Co-operatives deal with all the materials for a whole industry. The former General Commissioners for whole industries in the Ministry of Economic Affairs are superseded. Goering has dismissed General Hanneken, who had been commissioner for the iron and steel industry for five years, just as the commissioner for the coal industry was dismissed when the Coal Co-operative was set up at the beginning of 1941.

The shortage of coal and labour has set definite limits to the output of iron and steel in Germany and occupied countries; and the transport difficulties prevent the equalisation of the old and new industrial areas. This explains why the Minister for Armaments and Munitions has called up all iron and steel reserves by decree. The decree ordering the collection of iron and steel is a lengthy document of ten paragraphs; and it reveals more than any other decree how the different organisations are used for a concerted effort to deal with bottlenecks. The first paragraph gives an outline of the material to be collected:

1. Normal scrap available in factories, shops and agriculture.
2. Semi-manufactures of unusual measurements not likely to be used.
3. Castings and iron and steel which have already been machined for manufactures whose production has been stopped.
4. Manufactures which have been kept in stock as spare parts for the army, but which are no longer necessary because of changes in design.
5. Installations and machinery of closed down plants and factories.

These five points suggest, first, that there have been many changes in design; and, secondly, that the immediate demands of war production are to be met without any regard to the post-war considerations.

The industrial chambers in each district are responsible for the collection of scrap. Himmler has ordered the police to support the collection. For the transport of the material from factories to railway stations, the army and ARP services are being called upon. The labour for breaking up the material will be supplied by Russian prisoners of war. Not all the scrap will be melted down. Material that can be used in the coalmining industry will be put at the disposal of the mines.

The German press discusses the decree as a precautionary measure, largely designed to provide enough material for the winter 1942-43. Last winter, transport difficulties caused a serious falling off in the output of pig-iron. Ore and coal must be carried over great distances in Germany, and the unusual cold last winter stopped the transport of ore and coal on the inland waterways. The collection and transport of scrap is confined to the summer months when inland waterways can be fully used and when the railways are free from the transport of cereals and root crops.

* * *

Gas Generators.—Minister Speer has set up a Central Department for the adaptation of motor-cars for gas

generators. The main object of the new department is to speed up the changeover from petrol to substitute fuel. Lieutenant-General von Schell, the special commissar for the motor-car industry, who was responsible for the promotion of the use of solid fuel for motor-cars, has been relieved of this work. State Councillor Dr Schieber, from the Ministry of Armament and Munitions, will be the head of the new department.

*

Steel Machinery.—A decree issued by the special commissar for the machine-building industry limits the construction of installations and machinery for blast furnaces and rolling mills. The decree virtually prohibits the manufacture of any new designs. Recently, a great number of similar decrees have been issued, beginning with the prohibition of work on any engineering and constructional designs which are not needed for war industry. At the same time, the different types of machine tools and machinery have been reduced in almost every section of the engineering industry.

*

Fuel Engineers.—The Minister for Armaments and Munitions has decreed that all factories using great quantities of coal, gas and electric power must employ a fuel engineer, who will supervise the economical use of fuel and power. Besides the supervision of the boilers, the fuel engineer must prevent machines from running idle. Factories using gas or electric power will have to organise work in such a way that the hours of the greatest load on gas and electric power are not used for rush work.

*

Krupps.—The annual report of *Krupps A.G., Essen*, for the business year ending September 30, 1941, has now been published. The balance-sheet of Germany's greatest armament concern values total plant and machinery at Rm. 322 millions, against Rm. 192 millions at the end of 1938. This figure shows the tremendous expansion of the concern during recent years. Unfortunately, the profit and loss account cannot be compared with pre-war years. The depreciation and reserve policy indicates that there was a substantial increase in profits. During the last year before the war, the concern's steel output amounted to roughly two million tons.

Skoda.—*Skoda Pilsen*, the leading Czechoslovakian concern, reports that output increased considerably during 1941. The concern was mainly engaged on orders of the German *Wehrmacht*. Exports to European countries remained at the level of the previous years. Gross profits increased from Kr. 397 millions in 1940 to Kr. 627 millions in 1941. Tax payments rose from Kr. 74 millions to Kr. 147 millions during the same period. Capital expenditure amounted to Kr. 195 millions, against Kr. 169 millions in 1940, which shows that productive capacity has been expanded. Very few German concerns reported an expansion of productive capacity in 1941. It may be assumed that the Skoda Works have been expanded because they are situated out of effective bombing range.

*

Cartels and Prices.—In agreement with the Minister for Armaments and Munitions, the price commissar has decreed that a number of cartel prices must be reduced. Investigation into cartel prices has shown that price reductions are possible because of rationalisation and higher turnover. Reductions must be effected before December 1, 1942.

* * *

Fuel Rationing in Hungary.—For the period from May, 1942, to April, 1943, fuel for household consumption will again be reduced by from 20 to 30 per cent, compared with the period 1941-42. The coal ration for a two-room flat inhabited by three persons amounts for the whole year to roughly 7 cwt.

THE BUSINESS WORLD

Agency in Insurance

AMONG the many problems facing British insurers in the post-war world is the question of agency. There is a view that the present system of agency in insurance fails to give the public a standard of service in keeping with modern ideas. It may be taken as axiomatic that the more the practice of insurance is disseminated and the wider its scope becomes, the better it is for the community. The greater the number of risks the manufacturer or trader, by payment of a premium, can reduce to fixed costs, the better he can concentrate on the development of his business. The more hazards of life against which the householder, for a known outlay, can protect himself and his family, the better he can plan the outlay of his income. Compared with the position fifty or even twenty years ago, a tremendous amount has been achieved. But further progress postulates two things: education of the public to the security that insurance can bring; and ready access to a higher standard of professional advice.

The agency system must be explained in terms of history. Like so many English institutions, it has "just grown." In the early days of insurance, it was rare to find an office transacting more than one of the then known classes of insurance—marine, fire and, later, life—each of which was exceedingly simple in operation by comparison with the complexities of to-day; and originally no agents were employed. But, from about the beginning of the eighteenth century, fire and life offices began to enlarge and broaden the scope of their operations by establishing agencies in provincial centres. Since the volume of available business did not justify full-time representatives, it became the custom to appoint as agents persons in other walks of life who, by their daily work, came into contact with prospective assured. An auctioneer might be an eminently suitable representative for a fire office or a banker for a life office. For a modest 5 per cent of premiums, the agent undertook a host of duties, including such matters as attendance at fires and assistance in extinguishing them and the selection of lives for life assurance. This system lasted until after the middle of the nineteenth century. Then, with growing technical requirements, resulting largely from industrialisation and the progress of actuarial science, local managers began to take over some of the agents' functions in the more populous areas. The agents became little more than media for introducing business and collecting premiums. There were only two exceptions to the rule of the part-time non-professional agents: the brokers, who enjoyed a virtual monopoly in the placing of marine insurance, and whose other main function was to act as feeders to Lloyd's after that body of underwriters commenced operations in fire and other lines; and the business of industrial life assurance, which required a large staff of full-time agents for the purpose of door-to-door soliciting and collection.

The later years of the nineteenth century and the first decade of this saw the inception of many new classes of insurance. Companies were established to cover death and personal injury due to railway accidents; loss from burglary and the dishonesty of employees; breakage of glass and bursting of boilers; liabilities to the public; contractual obligations to workmen in respect of industrial injuries; accidents to motor-cars; and many other risks. These companies needed agents to sell their policies and a great increase in part-time representation resulted. Where possible, the choice fell on men to whom business would come naturally as part of their occupation—the railway booking clerk, for example, for accident insurance or the motor salesman for motor insurance. But there was scarcely a solicitor, estate agent or bank manager without a number of insurance agencies, and many a commercial traveller had a sheaf of prospectuses in his bag along with his other samples. In a period of experiment and development this was probably the only possible way, and the urge to earn a commission spread the new forms of cover over the length and breadth

of the country, and brought benefit to many a home and business. But, since the only qualities required of the agent were opportunity and ability to sell, the day could not be long delayed when the individual or firm with numerous insurances to place on its own account found it advantageous to take an agency appointment itself in order to secure an economy in cost. "Own-case" agencies and "rebating" are now well-established practices.

These tendencies have doubtless been stimulated by the development in the last thirty years of the "composite" insurance company transacting all classes of insurance. From the point of view of public service, this was a step forward; it meant that one company could now cater for all insurance requirements and would adopt a broad outlook to risks which, considered on their own, might not be attractive. From the agency standpoint, this has meant two things. First, practically all insurance agents now become agents for all classes of risk, and competition is more intense. Secondly, and more important, the composite company controls a much larger volume of business in any area than the specialist office, and can therefore afford a more extensive branch organisation. Branches were first established to furnish technical assistance to agents and policy-holders, and the staffs consisted of experts of various kinds—underwriters, actuaries, surveyors and claims investigators. Subsequently, under stress of competition, they began to assume also a "business producing" function, and offices appointed full-time "inspectors of agents" to visit the agents and assist them to secure business; in country towns, small sub-offices were opened with "resident inspectors" in charge. These inspectors have left the agents with still less to do, and it is now not uncommon for the agent to serve no other purpose than supply an introduction which the inspector develops. The public naturally prefers to negotiate with the insurance company's qualified representative. The case for the part-time agent has grown weaker.

This is the situation which now confronts the industry. It is by no means certain that insurance will remain content with representation by amateurs. Radical change, such as the elimination of the part-time non-professional agent, might require legislation—similar, perhaps, to that in force in many American states, where candidates are called upon to pass examinations and satisfy the authorities concerning their trustworthiness before being licensed to act as insurance agents. Whatever the theory of the matter, the replacement of part-time agents would not be easy. There must be some kind of local sales organisation—offices acting without intermediaries have never succeeded in building up an extensive connection among the general public. One possibility is the American system, with its nation-wide network of professional agents, but the human material with which to create such a system is not readily available. The brokers have the requisite standard of professional competence. But, outside the marine market, they cannot be fitted easily into the company form of legislation; Lloyd's underwriters—who would be helpless without them—naturally have first claim on their loyalty. In place of agents, the offices would have to consider direct representatives and the wider use of advertising. A programme of collective newspaper advertisement, aimed at stimulating public interest in the service provided by insurance, rather than the virtues of this or that office, might, with the assistance of publicity through the post and otherwise, bring inquiries which would be followed up by travelling representatives. The nucleus of such a body of men already exists in the present inspectors; and, as a result of the progress made by the educational facilities of the Chartered Insurance Institute during the last twenty years, insurance offices now possess many thousands of fellows and associates. The new representatives would be salaried employees and not mere commission hunters. They would be able to analyse and advise upon

genuine insurance needs rather than merely upon the sale of policies.

There might also be a greater degree of localisation of the branch office system. At the moment there may be as many as fifty offices in a city of half a million inhabitants—all located in the centre of the city—and nearly as many sub-offices in the country town with a population of 50,000. But a small town or suburban area may have no insurance office

at all, apart from the branches of the industrial companies. The cost of a widespread network of dignified offices may well be beyond the purse of any single company. Indeed, it is the obvious objection to a programme of reform on the lines outlined in this article that it would show no monetary saving, to say the least, by comparison with the present system. But it is probable that both the industry and the public would be much better served.

Finance and Banking

Reflux and Credit Glut

Throughout the week, the money market has enjoyed an exceptional abundance of credit. The large increase of £18.9 millions in bankers' balances to the unusually high figure of £145 millions is clearly no fortuitous movement, due to the state of accounts between the market and the authorities on a single day. It reflects a marked easing of the underlying credit position. A variety of influences have contributed to bring this about. After an interrupted rise of over £41 millions in the note circulation in eight weeks, notes are at last beginning to return from circulation after the bout of holiday spending. The week's reflux of £4,139,000, indeed, compares with no more than £2,802,000 in the corresponding week of 1941. But this year's withdrawals have, of course, been considerably heavier. Secondly, bankers' deposits have benefited by a net release of £11.4 millions of credit from public deposits. To some extent this is no doubt attributable to the release of the funds accumulated in advance of the August 15th dividend payments. But in addition, there is evidence that the authorities had under-estimated their current borrowing requirements. In view of the low level of public deposits at only £8.2 millions, it seems a safe guess that the increase of some £4 millions in Government securities is due to ways and means borrowing. It is, of course, this under-estimate of borrowing requirements, and not the suspension of TDR borrowing in itself, which has contributed to the ease of credit. As the combined result of the addition to securities and the recovery in the reserve, the credit base shows an expansion on the week of £8.4 millions. Against this background, it is not surprising that the clearing banks have been consistently good buyers of bills, including some November maturities. The market has, consequently, had no difficulty in financing its fairly heavy Treasury bill allotment of 44 per cent; in fact, it has probably seen a reduction in its portfolio rather than an addition.

* * *

Banking in Shanghai Under Japanese Rule

At the beginning of August, the Nanking quisling Government made arrangements for the reopening of the Shanghai offices of the Bank of China and the Bank of Communications. Since the head offices of both banks have been transferred to Chungking, new companies had to be formed in Shanghai. The capital of the Shanghai office of the Bank of China is 20,000,000 Nanking dollars, that of the Bank of Communications 10,000,000 Nanking dollars. Holders of shares of the genuine Bank of China and Bank of Communications are given an opportunity to exchange two of their shares for one new share. This offer is confined, however, only to holders who are "friendly to the Nanking Government and have severed their connections with the Chungking Government." The new banks will not be authorised to issue notes, but will confine their activities to commercial banking. Later, possibly, their other branches situated on Japanese-occupied territories will be reopened, including the branches outside China. The latter are hoped by the Japanese authorities to provide useful channels for the remittances of Chinese living abroad. The reason for the decision to re-create these two banks in Shanghai is probably that the Nanking authorities want to benefit by the goodwill represented by the prestige of these banks. It is characteristic of the lack of prestige of the Nanking régime itself that it has to approach the Chinese people under the disguise of Chungking banks.

Hongkong Dollar Demonetised

While the population of recently conquered Chinese territories was given the option of exchanging its Chungking dollar notes against Nanking notes at the rate of 2 to 1, the population of Hongkong received a less generous treatment. The Hongkong dollar was first devalued by 50 per cent, and then again by 50 per cent, so that eventually its value was 25 per cent of its pre-invasion parity. From August 1st the Hongkong dollar notes have been declared invalid. No information is available whether the population was given an opportunity to exchange the notes against Nanking or Japanese currency. Even if this was done, the exchange would have had to be made at the ungenerous rate of one-quarter of the old value of the Hongkong currency. The chances are that, as in the case of Chungking dollars in Shanghai, a much too brief period was fixed for the exchange, so that a large proportion of the notes could not be presented in time.

In order to provide additional "security" to cover the increase of Nanking note circulation in connection with the withdrawal of Chungking notes, the Japanese authorities have granted to the Central Reserve Bank of Nanking



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Change in Rate for Dollar Notes

An interesting change has been made in the rate at which British banks will exchange dollar notes. Instead of purchasing at \$4.11 to the pound, less $\frac{1}{4}$ per cent commission, the banks will pay 4s. 10d. net per dollar. Both the change in the method of quotation and the abandonment of the commission charge betoken that the new arrangement has been made to suit the convenience of the American troops stationed in this country. The previous rate was equivalent to about 4s. 10 $\frac{1}{2}$ d. per dollar, so that the change is at first sight unfavourable to the holders of dollar notes. But the fact that the rate is less favourable is more than offset by the abandonment of commission, which had previously borne hardly on those who wished to exchange a small number of notes. Since the minimum commission was 1s., the seller of a single dollar only received about 3s. 10 $\frac{1}{2}$ d. Now that every dollar will fetch 4s. 10d., there can be no discontent among sellers of small amounts. The change in the banks' buying rate involves no alteration in the rate at which dollar notes are subsequently sold to the Control. This remains at \$4.11 to the pound, and the banks' remuneration for their business in dollar notes will thus take the form of a turn between their buying and selling rates, instead of a commission charge. This is an interesting departure in view of the wartime arrangement whereby the banks are acting as agents for the Bank of England, instead of as principals, in their foreign exchange dealings. In all other cases, the employment of the banks as agents has been reflected in the charging of commission instead of the making of a turn. This isolated modification of the wartime principle has, however, only been made as a matter of convenience in this particular instance.

Ban on Swiss Gold Arbitrage

The news that the Swiss authorities have banned the export of gold arising from arbitrage transactions appears at first sight to provide one of the most baffling financial paradoxes of this war. The Swiss franc is at an appreciable premium in terms of all currencies which can still claim any relation with gold, including the US dollar and the Argentine peso. Moreover, the uncontested evidence of the weekly returns of the National Bank of Switzerland over the past year has shown that Switzerland has been a persistent and considerable gainer of gold and not a loser of the metal. Why, therefore, is there a ban on arbitrage exports of gold, since on the face of it no such exports should be feasible? The answer will probably be found in the fact that the various national quotations for gold taken as the basis for calculating arbitrage parities are not only the official prices quoted by the central banking authorities, but the prices quoted in the open—and often black—markets. If gold is quoted at the equivalent of £10 an ounce in Bombay, then assuming gold shipments to be possible, it follows that the arbitrage parity from Switzerland will differ very widely from that indicated by the current official exchange rates and gold price. An open black market for gold has for some time past existed in Lisbon, and it may well be that the Swiss edict is intended to stop a leakage to that destination. It may also be questioned why a ban should be necessary when the National Bank of Switzerland should have control of the whole trade in gold. The answer is that there remain appreciable holdings of private gold in Switzerland. That country was one of the main repositories of "funk money" during the pre-war decade, and at times considerable amounts of gold were deposited there for safe keeping. Most of that gold had gone to the United States before Switzerland became a precarious island of neutrality in an Axis occupied Europe. But enough of it probably remains to feed a modest arbitrage traffic towards the black bullion markets and to justify the steps taken to arrest it.

Investment

Boom in Equities

The markets made a rapid recovery from the modest setback induced by the combination of bad news from India and the Caucasus and, this week, staged a strong advance over a broad front. The *Financial News* index of industrial ordinary shares—July 1, 1935 = 100—at 82.8 reached a new high level for the year, although it is still below the level of the beginning of December last, prior to the attack on Pearl Harbour. The rise in turnover has not been marked. Indeed, business has been limited by an acute shortage of stock in most sections which has been one of the most potent influences in raising quotations. The cause of the advance at a time when the military situation, on which everything hangs, holds more promise than realisation, is perhaps not very easy to explain. An underlying belief, which keeps on coming to the surface, that there will be a speedy finish to the war, is probably the main influence. Drawing comfort on Tuesday from the news of the successful Allied talks in Moscow, markets went ahead and for the first time in some weeks there was also a general improve-

ment in gilt-edged issues. By midweek, the news of the Dieppe commando raid suggested caution pending information on its progress, but the announcement probably served to strengthen the impression that things are moving. In point of fact, Second Front or no Second Front, an early end to the war remains unlikely and its assumption is certainly a poor foundation on which to base investment demand. Unshakable optimism and a tendency to speculate freely on military possibilities are, of course, not the only foundation of the present boom. There is a great deal of money about, which is seeking investment with good income prospects, and, incidentally, driving down industrial yields.

Tax-Free Fees

A decision taken at this week's Watney Combe Reid meeting has raised the first test case on the question of tax-free payments to company directors since the passage of the Finance Act, 1941. The directors of Watney Combe Reid are entitled by the articles of association of the company to a tax-free annual sum of £15,000 and, in addition, such further sums as may be determined from time to time by the general meeting. This right was modified by the Finance Act, 1941, to permit the enjoyment of remuneration tax free up to 5s. 6d. in the £ only, unless the contract is varied subsequent to September 3, 1939. After some discussion, a resolution initiated by a stockholder was passed at the general meeting which proposed that:—

the directors be paid in respect of the year ended June 30, 1942, and thereafter until otherwise determined such further sums as might be required to indemnify them to the extent of 4s. 6d. in £ against the operation of Section 26 of the Finance Act, 1941, in relation to the sum of £15,000 mentioned in the articles as the remuneration of the board.

Thus, the directors are to continue to receive £15,000 net, costing the company £30,000 gross, instead of £10,345 net costing the company £20,690 gross. It is, of course, plain

that there is nothing illegal in the resolution—the Finance Act, 1941, permits the variation of contracts relating to the payment of tax free fees. But it is equally clear that the intention of the Act has been, at least partially, defeated. The legislation was intended, not only to release certain parties from the fulfilment of contracts in circumstances other than those foreseen when the agreements were originally concluded, but also to prevent certain recipients of income from being insured and indemnified against the burden of rising taxation. Thus, there are two points involved: the undesirability, particularly in war conditions, of protecting the net receipts of directors when no such protection can be afforded to labour or to the equity holder; and the unsuitability of permitting any class to remain unaffected by the wartime rise in the tax burden. There is, of course, no objection to the directors receiving higher remuneration. What is clearly undesirable is the provision that the management shall be indemnified precisely by the amount of the rise in tax burden.

More Brewery Conversions

The steady stream of industrial conversions, which has followed the lifting of the Treasury ban last May, continues unabated, with breweries still holding pride of place. After *Bass, Courage, Portsmouth and Brighton and Watney Combe Reid* come *Barclay Perkins* and two subsidiaries of *Walker and Homfrays, Manchester Brewery* and *John Taylor and Company*. Neither of the latest conversions, whose details are set out in the accompanying table, contemplates any repayment. The *Manchester Brewery* conversion, however, contains the novel feature that its offer of £653,664 4 $\frac{1}{2}$ per cent debenture stock replaces its own previous issue of £550,351 5 $\frac{1}{2}$ per cent guaranteed mortgage debentures, together with the existing 5 $\frac{1}{2}$ per cent *John Taylor* guaranteed first mortgage debenture stock. As with the earlier conversions, there is the now usual provision that, in both cases, stock not covered by the conversion shall be taken up and retained by the guarantors. In the

Name	Amount Repayable	Rate %	Repaid at	Amount Offered	Rate %	Date Final	Issue Price
Manchester Brewery	550,351	5 $\frac{1}{2}$	102 $\frac{1}{2}$	653,664	4 $\frac{1}{2}$	1977	100
John Taylor	103,313	5 $\frac{1}{2}$	102	408,353	3 $\frac{1}{2}$	1985	99
Barclay Perkins	408,353	5 $\frac{1}{2}$	105				

Note.—Issue prices net of cash payment to those accepting new stock; date, the latest possible.

case of the *Manchester Brewery* conversion, the commission amounts to £4,000 and in the case of *Barclay Perkins* to £2,550, both inclusive of brokerage, representing 0.61 and 0.62 per cent on the money. The yield on the *Barclay Perkins* issue price is some 3.787 per cent and the maximum life of the stock is forty-three years. Repayment by sinking fund begins, however, in the year ending October 1, 1945, and the company has an option of repayment in full from October 1, 1955. This offer should prove attractive if not quite so tempting as that of *Bass*, where only some 8 per cent of the issue was left for the guarantors. The results of the *Army and Navy Stores* conversion of £484,900 5 per cent stock into 4 per cent debentures, 1960-70, show that the usual proportion of nearly 25 per cent was left to be taken up at par by the Prudential Assurance.

Richard Thomas Meeting

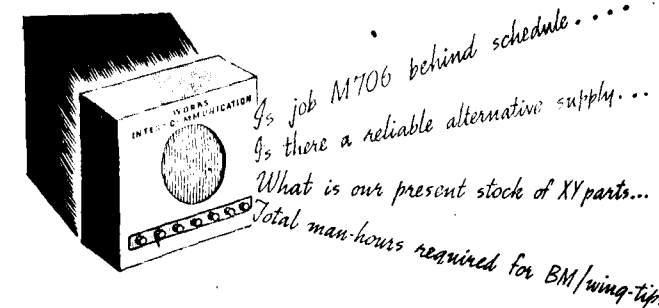
On the whole, the Richard Thomas meeting was less stormy than usual. A number of the customary objections were raised, but the fact that the report and accounts were passed on a show of hands suggests that the bulk of the ordinary shareholders are mollified by the resumption of ordinary dividends with the 5 per cent payment. Whether or not sound finance would permit the distribution of a higher rate in present circumstances, the statement of the chairman, Mr E. H. Lever, makes it probable that the directors have no intention of raising it in the immediate future. He takes the view that "we should continue to strengthen the financial position of the company and build up and maintain strong liquid resources." The concern now enjoys an assured position in the sphere of war production, and Mr Lever is able to report that output has been increased, costs lowered and quality improved at Ebbw

Vale. Moreover, he implies that the report of the Ministry of Supply committee of inquiry into the problem of concentration in the tinplate industry is unlikely to affect Richard Thomas at all substantially. This is all encouraging news as far as post-war prospects are concerned. For it is on the ability of the concern to compete successfully in post-war markets with both domestic and overseas competition that the present financial policy of the management will be judged. To some extent, delayed blessings are still being relied upon to buoy up the ordinary shareholders. Only time can show whether postponement is in their best interest.

Company Notes

British India Steam Navigation

The accounts of BISHN for the year to September 30th last show a decline in net profits from £207,268 to £203,737. After adding back disclosed charges, including directors' fees, there is, however, a rise in earnings, after deferred repairs, taxation and contingencies, from £1,728,316 to £2,031,067, so that it appears probable that gross income was higher last year. Depreciation of fleet receives £1,124,463, against £1,022,984, and pension fund reserve £500,000, against £300,000, bringing the total to £800,000. Equity earnings are down from £62,268 to £58,737, representing 6.2 against 7.0 per cent. Ordinary capital receives 6 per cent as before, and the carry forward is raised from £61,271 to £62,576. These results were, of course, realised before the entry of Japan into the war, and the directors point out that the fall of Burma has already restricted normal services in the Bay of Bengal. The balance-sheet shows an important increase in net liquid assets excluding inter-company items, from £4,325,844 to £6,352,516, while net loans to subsidiaries of £71,328 have replaced net loans from subsidiaries of £72,178. The main increases are in gilt-edged holdings of nearly £3,300,000 to £7,922,224, and in debtors from £1,465,742 to £3,137,767. On the liabilities side, creditors



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are up from £2,619,678 to £6,047,130. Book value of fleet amounts to £1,858,900 against £2,117,850, while Government tonnage replacement account, now excluded from the calculation of assets, has risen from £142,500 to £422,600. The company's tonnage replacement account stands at £1,703,500 against £842,500. The position is strong, but it is evident that the company's fleet is now infinitely more vulnerable than it was a year ago—a fact which may prejudice earning capacity in 1941-42. The ordinary shares are all held by the controlling concern, P and O, to whose prospects British India provides a useful pointer. The £100 5½ per cent cumulative preference stock, at 99½, yields £5 10s. 6d. per cent.

* * *

C. & E. Morton Preference Payment

Despite a reduction in total income for 1941 from £93,658 to £65,235, due in part to the need to provide for losses on shipments in the Far East, the directors of C. & E. Morton have recommended the payment of one year's dividend on the 7 per cent preference capital. This leaves arrears outstanding for the decade 1931/40 inclusive and arrears on the 8 per cent cumulative preferred ordinary capital for the period 1931/41 inclusive. The company suffered last year through the loss of its Java subsidiary, necessitating the provision from profits of £19,116 for transfer to investment reserve. Since the balance of reorganisation expenditure on the Millwall Factory, at £8,699, is also written off from profits, there is a decline in net income from £35,289 to £10,941, despite a fall in total tax provision from £35,433 to £10,160. It has, however, been decided to recover £22,196 EPT liability from subsidiaries, so that the total disposable balance amounts to £68,426. After providing £14,000 for the preference payment, the carry-forward is raised from £35,289 to £54,426. The company has suffered from further restrictions on exports last year, reflected in the balance sheet in a rise in stock from £262,169 to £331,208 and in bank overdraft from £22,000 to £32,000. A decline of rather over £100,000 to £200,349 in debtors and nearly £100,000 in creditors to £154,151 indicates a contraction in business, for which rationing is no doubt mainly responsible. The resumption of preference dividends in these circumstances if, of course, a matter for considerable congratulation. The equity holders remain, however, almost as far as ever from receiving a dividend, and the need for a suitable capital reorganisation scheme which commands the confidence of all parties, remains obvious. The £1, 7 per cent, preference shares, at 18s. 6d. ex dividend, yield £7 6s. 4d. per cent on the latest payment.

* * *

Low Temperature Carbonisation

Total profits of Low Temperature Carbonisation reached a new record level in the year to March 31st last with a rise of nearly £10,000 to £133,049. Thus, for the third year in succession, the recovery from the low level of £42,943 touched in 1938-39 has been steadily continued. The latest accounts show an increase in tax pro-

vision, including £10,000 transferred to tax reserve, from £45,180 to £73,512, while depreciation is also somewhat higher at £10,845 against £10,022. Consequently, there is a decline in equity earnings from £51,342 to £32,132, representing 4.0 against 6.4 per cent. Ordinary capital receives 3½ per cent, as in the two previous years, and £4,111 is added to the carry forward, bringing the total to £32,873. These excellent results have been achieved despite the fact that the loss of one subsidiary has been charged against profits, whereas in the previous year a loss of £47,335, £36,687 of which was in respect of 1940-41, was charged against general reserve. It has not yet been possible to make good this draft, so that general reserve remains unchanged at £24,011. Tax reserve stands at £35,000, against £25,000. The liquid position is fortified by a rise in net liquid assets from £231,556 to £325,541, although net loans from subsidiaries are up from £26,127 to £59,511. Debtors and creditors are both lower, as are stocks at £10,340, against £14,131. Cash holdings have more than doubled at £134,404, £100,000 is still lent free of interest to the Treasury, and £30,000 against nil has been invested in Government securities. The concern is now beginning to profit from the considerable capital development which took place in 1938-39, and there can be no doubt that its products have found a ready sale. Prospects for the current year depend very largely on the extent to which supplies of coal continue to be available. The 2s. ordinary shares at 1s. 7½d. ex dividend yield £4 6s. 1d. per cent, a level which implies considerable faith in post-war prospects.

* * *

Amalgamated Metal Corporation

In his speech at the annual meeting of *Amalgamated Metal Corporation*, the holding company which controls *British Metal Corporation* and *Henry Gardner*, the chairman, Mr Charles V. Sale, reveals that the total commitments of the latter concern in respect of tin and rubber at the date of the combined balance sheet amounted to over £2,100,000 of debtors and bills payable and £500,000 temporarily advanced to a subsidiary. Since then, notes to the combined statement indicate that the whole of bills receivable and 98 per cent of debtors have been collected and the temporary advance repaid in full. Thus, it is clear that the group has suffered the minimum of avoidable misfortune through the territorial losses in Malaya and the Netherlands East Indies. Mr Sale points out that it is still impossible to place any valuation on the German and Belgian interests, standing in the combined account at £794,536, but is able to report that proceedings against the *Société Suisse pour Valeurs de Métaux*, against which *Amalgamated Metal* has a claim for re-exchange of holdings in *Metallgesellschaft AG*, are at last going forward. The profit position of the group and the constituents over the past three years is analysed below.

The decline in income of the constituents of £62,470 to £264,364 is, of course, partly due to the tempo of payment by the Ministry of Supply, for which the concern acts as Non-Ferrous Metals Control and partly to the extension of hostilities to the Far East, all loss in connection with which has been written off in the latest accounts. Excluding inter-company items, the combined balance

sheet shows a reduction in net current assets from £1,983,736 to £1,619,732. The replacement of net loans from subsidiaries of £397,931 by net loans to subsidiaries of £23,925 at December 31st is rendered obsolete by the repayment of the temporary loan of £536,238. From the national and the group's standpoint, the decline in stocks from

	Years ended March 31,		
	1940	1941	1942
Constituent companies' earnings*	455,502	326,834	264,364
<i>Amalgamated Metal Corporation</i> :—			
Prof. divs. from constituents.	54,000	54,000	54,000
Ord. divs. from constituents.	313,562	270,625	163,562
Total profits	367,915	325,323	218,357
Management expenses	3,219	2,663	3,161
Income Tax	—	1,473	2,971
Preference dividends	54,000	54,000	54,000
Ordinary shares :—			
Earned	310,696	267,187	158,225
Paid	310,505	266,148	155,253
Earned %	7.0	6.0	3.6
Paid %	7	6	3½

Carry forward..... 32,015† 33,054 36,026

* Years ended December 31, 1939, 1940 and 1941, after adding back £73,637 disclosed in 1940, but attributable to the profits of 1939.

† After crediting £697 refund of income tax.

£365,760 to £45,468, in the combined balance sheet, but reported as since liquidated, is not a favourable development. Reserves and undistributed profits are up from £1,283,101 to £1,332,875. The £1 ordinary shares of *Amalgamated Metal Corporation*, at 14s. 4½d., ex dividend, offer the sound yield of £4 17s. 5d. per cent.

* * *

Tea Company Results

The reports of leading tea companies recently issued indicate that 1940-41 was, from the investors' standpoint, a satisfactory year. The following table analyses profits and allocations over the past three years for the four concerns of the James Finlay group and for two independent companies chosen for their geographical disparity. The selection, which is representative, shows that in all cases, except that of *Ceylon Tea Plantations*, crops were higher last year. Prices are not generally revealed, but, for the Finlay companies, the management states that the average of the three years 1936, 1937 and 1938 adjusted to an f.o.b. Eastern port basis and increased by 1d. per lb. for India and 1½d. per lb. for Ceylon was paid by the Ministry of Food. This basis must certainly have covered the major proportion of the output. The chairman of the James Finlay concerns, Mr R. Langford James, points out that even the increase in the export quota from 90 per cent in April last to 125 per cent at the present time has not prevented an undesirable spurt in the price of teas available for markets outside the United

Kingdom. Of the six companies in question, only one, *Ceylon Tea Plantations*, experienced a setback in total

Company (Years ending November 30)	Crop	Av. Price	Total Dis- closed In- come	Earned for Ordinary		Divi- dend	August 19, 1942	
				Amount	Rate		Price† xd	Yield
<i>Amal. Tea Estates</i> :	'000 lbs.	d. per lb.	£'000	£'000	%	%		%
1939.....	6,437	15.24	390.4	30.4	3.2	7		
1940.....	6,825	•	463.5	77.4	9.2	7	16/-	8.75
1941.....	7,085	•	512.9	70.8	7.8	7		
<i>Anglo-American Direct Tea</i> :								
1939.....	8,741	14.14	588.1	55.7	9.1	7½	18/9	8.00
1940.....	9,081	•	565.3	49.8	7.5	7½		
1941.....	9,647	•	734.3	51.7	8.1	7½		
<i>Consolidated Tea & Lands</i> :								
1939.....	18,189	13.22	974.6	80.2	6.7	10	25/6	7.84
1940.....	18,962	•	1038.1	118.8	9.9	10		
1941.....	19,929	•	1269.9	122.3	10.4	10		
<i>Kanan Devan Hills Produce</i> :								
1939.....	15,357	15.04	881.0	107.8	14.3	17½	38/9	7.74
1940.....	14,828	•	833.0	128.1	17.1	17½		
1941.....	15,484	•	960.7	105.9	14.1	15		
<i>Ceylon Tea Planta- tions</i> : ‡								
1939.....	4,447§	13.78	327.8	36.9	9.8	10	31/3	6.40
1940.....	5,068	14.71	410.6	28.3	7.5	10		
1941.....	4,512	16.40	396.5	39.4	10.9	10		
<i>Assam Dooars Tea</i> : ‡								
1939.....	5,293	•	279.2	46.6	34.2	30	570/-	10.52
1940.....	4,823	•	266.1	40.2	34.6	30		
1941.....	5,293	•	322.3	44.0	39.4	30		

* Not disclosed. † £1 ordinary stock or shares. ‡ Years ending December 31.
§ Limited by Government control of exports. || £10 ordinary shares.
** After tax on dividends only for Assam Dooars.

income, and for this modest decline from £410,612 to £396,504 the lower crop is probably responsible. The decisive influence on equity earnings was, of course, tax liability, and all concerns have had to face a severe rise in this charge, to which must be attributed a fall in the earned rate from 9.2 to 7.8 per cent for *Amalgamated Tea Estates* and from 17.1 to 14.1 per cent for *Kanan Devan*. Only in the case of the latter company, however, is the ordinary payment reduced or under-earned. The cut of 2½ per cent to 15 per cent is overdue, and perhaps insufficiently drastic, there having been an over-distribution also in each of the two previous years, reducing the carry forward from £108,629 in 1937-38 to £89,931 in 1940-41. The prospects of these companies in the current year are of national and even international interest. Their earning capacity is determined by the future of military operations against the Japanese and by shipping conditions. The loss of plantations in Malaya and the Netherlands East Indies renders their output increasingly valuable, while the loss of Burma places the Assam plantations in a position of considerable vulnerability. Yields, which range from 6.40 per cent for *Ceylon Tea* to 10.52 per cent for *Assam Dooars*, suggest considerable market confidence tempered by appreciation of the military factors.

Industry and Trade

Railway Wage Negotiations

Negotiations on the demand of the National Union of Railwaymen and of the Railway Clerks' Association for an increase of 10s. a week in wages have been continued. The railway companies have now made what has been stated to be their final offer; broadly, this consists of an additional 4s. a week for adult males, and 3s. a week for adult women operatives and an additional £10 per annum for the adult salaried male staff. The proposal will be considered by the NUR at a special meeting convened for September 1st. If the offer is rejected, the case will go to the railway staff national tribunal, the final court of appeal. Whatever the details of the compromise, there will be an increase in wage rates, which bodes ill for any attempt to call a halt in the upward movement in other industries.

* * *

Silver in Industry

The Canadian Government this week introduced a ban on the export of silver. The official explanation is the

growing use of silver in the Dominion's war production, and the order follows a similar ban introduced by the United States War Production Board early last May. In the United States, according to the last annual report of Messrs Handy and Harman, no fewer than 80,000,000 oz of silver were used in 1941 for industrial purposes. Since then the United States Treasury department has announced that, with the concurrence of the US Attorney-General, the Secretary of the Treasury has full legal authority to lend-lease the country's silver stocks not immediately used for currency purposes to war industry, and the Treasury has prepared a scheme under which Government silver can be made available to war plants; after the war, it must be handed back to the Treasury, which in the meantime retains the title to it. It is estimated that this use of the Government's surplus silver stock may release something like 40,000 tons of copper for other purposes. Silver has valuable mechanical and chemical properties. But an obstacle to its extensive use in industry is its price, which, though very low, is still too high to make it competitive. It is, therefore, of interest that the United States Government is preparing legislation under which the Treasury will be allowed to release newly-

COMMERCIAL UNION

ASSURANCE COMPANY, LIMITED

FIRE - LIFE - MARINE - ACCIDENT

Head Office - CORNHILL, E.C.3

TOTAL ASSETS EXCEED £75,000,000

mined domestic silver—bought at 71.11 cents per oz—at the price of foreign silver, that is, 35 cents per oz, for use in war factories. Such price adjustments, together with the scarcity of many other vital metals, are likely to assure silver an important place in industry during the war. Nevertheless, in spite of the fact that the American Continent supplies about four-fifths of the world's silver and that the US and Indian Governments hold the bulk of the world's silver stocks, it must not be forgotten that the world output of silver even in its record year, 1937, when roughly 275 million oz were produced, was very small compared with that of the more common metals. A total of 275 million oz equals roughly 8,500 metric tons, compared with the present world copper output of about 2,500,000 tons and world lead and zinc production of just under 2,000,000 tons per annum respectively.

East African Imports

Shortage of shipping has led to further restrictions on imports from overseas into Kenya, Uganda, Tanganyika and Zanzibar. A large number of licences to import from the United Kingdom will have to be cancelled, contracts may have to be regarded as frustrated, and in future imports will be graded in three priority ratings. The new restrictions should not, however, lead to any real hardship either for the European population or the African. Unlike the West Indies, where the food situation is really serious, three of the East African dependencies are self-supporting in food for the native populations, and though European foodstuffs used to be imported in large quantities, they were not essential. Zanzibar is the only dependency in this part of the colonial empire which used to import essential foodstuffs both for natives and non-natives, and is still dependent for some of them on outside sources of supply, in spite of the efforts that have been made since the war to expand local production. Nevertheless, it should be possible for Zanzibar's essential needs to be provided by the neighbouring territories. Rice, for instance, is now being obtained from Tanganyika, whose production has increased considerably, and before the war Uganda was an exporter of sugar. Moreover, it has just been announced that 100,000 acres of the Athi plains in Kenya are to be cultivated for wheat production. But the growing demands of the armies of the Middle East will leave the East African dependencies with little to spare after their own and neighbouring needs have been met. It may, therefore, be taken for granted that first priority in import policy will be given to agricultural machinery and other imports necessary to raise local production to the maximum. It is said that for the new wheat-growing scheme in Kenya it is hoped to obtain tractors and implements from the United States under Lend-Lease.

Tightening of Shop Control

In order to prevent the opening of unnecessary new shops, the Government issued Orders last year—the Location of Retail Businesses Orders, 1941—prohibiting, except by special licence, the starting of new businesses for the sale of a wide range of commodities from January 1st this year. No licence was required if the goods specified were sold at the premises concerned during any part of a base period, defined as the period from December 1, 1940, to October 23, 1941. Provision was made whereby a trader could sell, or in any other way assign, the business to another person, who could then carry on without a licence. It was found, however, that some firms who wished to open new businesses in competition with existing shops realised that, if they applied for a licence, it would probably be refused, and consequently sought to achieve their object by

using the goodwill clause. They looked for empty shops which, at some time during the base period, had been used for the sale of goods they wished to retail; they sought out the owner of the business or his representatives, offered a paltry sum for its goodwill, and began to trade on the pretext that they had acquired the goodwill, and, hence, needed no licence. In order to stop this loophole, a new Order has now been made by which all traders in the goods specified will have to apply for a licence if they wish to start a new business. In future, it will still be possible for traders to sell their shops, and, where there is a genuine transfer of goodwill, a licence will not be refused.

Potatoes

There was an increase this year of 50 per cent in the home production of early potatoes, and the Ministry of Food has taken steps designed to ensure their consumption. In April, a scheme of distribution for new potatoes was announced, which was operated until July, when supplies were sufficient to make special control unnecessary. Potatoes were lifted at a rate which exceeded expectation and prices were reduced substantially in mid-July in order to accelerate consumption. This was done by paying a subsidy of £2 per ton to licensed first-buyers on their purchases from growers from July 19th to August 1st. These measures were not sufficient to clear accumulations. It is a pity that new potatoes were not issued to the Forces earlier. They were still eating the potatoes which had been stored during the winter as a safeguard against a late crop this year. The Ministry of Food is acquiring any surpluses of first and second early varieties which remain, or are likely to remain, in the hands of growers. The price paid will be 10s. a ton less than the growers' fixed price at the time of the Ministry's inspection. The surpluses will be clamped and later used for processing and seed. King Edward VII, Red King, and Gladstone varieties may now be lifted, but their sale is prohibited until August 29th, in order that they should not compete with the remaining supplies of early potatoes. Apart from administrative measures, the Ministry of Food is conducting a lively campaign to persuade the public to eat more potatoes. Lord Woolton has said that a 25 per cent increase in consumption is required in order to enable the Government to reduce wheat imports and save shipping.

Retail Costs and Profits

The Drapers' Chamber of Trade, the National Association of Outfitters and the Retail Distributors' Association collaborated to produce an analysis of the operating expenses of retailers selling cloth and apparel in the trading year 1941-42. The investigation was made to provide data for the consideration of profit margins for utility cloth and apparel. Apart from men's wear specialists and retailers mainly trading on a weekly payment basis or against credit checks, the sample comprised 916 returns from 1,161 establishments engaged in drapery and general business. In spite of the inclusion of the latter, the figures are fairly representative of the retail cloth and apparel trade. The analysis gives figures for eight groups, divided according to annual turnover. Gross profit margins on turnover vary from 28.01 per cent in the £10,000-£25,000 group, to 31.71 per cent in the £250,000-£500,000 group. The unweighted average gross profit margin of all the groups is 30.12 per cent. The weighted average, obtained by multiplying the groups so that each is represented in a proportion corresponding approximately to its proportion over the whole trade, is 29.53 per cent. Total expenses are highest, at 26.32 per cent, in the £250,000-£500,000 group and lowest in the £5,000-£10,000 group, where they are 21.43 per cent of the turnover. The net surplus, or profit, is greatest, according to the figures, in the lower turnover groups, but this may be due to the fact that in these groups profits include wages of management and interest on capital not separately shown. Profits are lowest in the highest turnover group (4.64 per cent) and in the £25,000-£50,000 (4.91 per cent). The unweighted average of expenses in all groups is 24.96 per cent, and of profits 5.16 per cent. The corresponding weighted averages are 24.02 and 5.51. A detailed analysis of profits and expenses in the various turnover groups, as well as other interesting data, are given in a table on page 254. Exactly comparable pre-war figures do not exist, but comparison can be made for two groups. In a paper read before the Manchester Statistical Society in December,

1938, Professor A. Plant and Mr. R. F. Fowler gave, *inter alia*, the gross margin, expenses and profits of department stores in the year ending January 31, 1938. Two of their turnover groups coincide with two of the present survey: £100,000-£250,000 and £250,000-£500,000. The gross margin in each case was 30.15 per cent, which compares with 31.19 and 31.71 per cent respectively. Total expenses were 25.20 and 24.69 per cent against 25.29 and 26.32 per cent for 1941-42. Profits were 5.95 and 5.45 per cent, compared with 5.90 and 5.39 per cent. Wartime conditions have probably made little difference to trading margins. The comparisons must be viewed with caution, however, since the numbers of stores in the present sample is larger than in Professor Plant's and Mr Fowler's.

Utility Margins

In arriving at their conclusions for a fair retail margin for utility cloth and apparel, the Drapers' Chamber of Trade and the Retail Distributors' Association have taken

INSURANCE NOTES

EAGLE STAR; EMPLOYERS' LIABILITY; GENERAL ACCIDENT

THE *Eagle Star* 1941 accounts show higher premiums and improved profits in both fire and accident departments. In the marine department premiums are substantially lower; this is attributed by the chairman (Sir Edward M. Mountain, Bt.) to the loss of cargo business from countries overrun by the enemy, but is so much at variance with the common experience as to suggest that the department is being administered with special caution. The chairman's statement contains some interesting observations on the marine market; it is his view that because of the problem of deferred repairs it will be necessary to keep the 1939 hull accounts open for six years, i.e., until the end of 1944, and in regard to cargo rates, he considers that cargo by liners should now pay the same premiums as cargo by tramps, since liners are frequently trading outside their regular routes, and equally with tramps are exposed to increased hazards. New life business was at the very high net figure of £12,318,000, an increase of £4,674,000 on the previous year; 1941 was a good year for group life and pension business in which the company specializes. The quinquennial valuation of the current life and annuity funds was made on December 31, 1941; the rates of interest employed were 2½ per cent for participating insurances and 2½ per cent for non-participating insurances, a special reserve of £65,000 being set aside as a provision towards the cost of reducing the latter rate to 2½ per cent at a later date. The surplus of £179,000 in the participating section is being carried forward without any general distribution of profits but interim bonuses will continue to be paid on policies becoming claims by death or maturity.

In profit and loss account underwriting profits of £277,000 are augmented by net interest earnings on the general funds of £216,000 and trustee and other fees of £33,000, bringing aggregate credits of £526,000. Various expense charges—including £93,000 for Colonial and foreign taxes, which most companies debit to the departmental accounts—absorb £195,000 and the reserve for British taxes takes £40,000. £25,000 is transferred to contingencies account and after providing for the dividends, which are unchanged and cost £234,000, the balance of £554,000 carried forward is higher by £31,000. There is an additional reserve of £100,000 in the fire fund and a general reserve of £2,500,000.

The *Employers' Liability* is dependent for 85 per cent of its accident income on its United States' branch, and the much reduced profit reflects conditions in that sphere of operations; the chairman (Sir Courtauld Thomson, K.B.E., C.B.) explained in his address to the shareholders that the company's workmen's compensation experience in America was much less favourable than in the previous year and motor business was also less satisfactory. In Canada, Australia, South Africa and India, and at home, operations were generally profitable. The

into account certain factors which do not appear in the analysis discussed above. They take the weighted average expense figure, excluding interest charges, of 23.17 per cent, on which to base their discussion. This, they say, includes some expenditure on delivery and publicity which cannot properly be charged against the utility margin. A deduction for this reduces expenses to 22.23 per cent. Money turnover will be less in 1942-43 for three reasons: the exemption of utility cloth and apparel from purchase tax; the limitation of margins on non-utility cloth and apparel; and the increased proportion of utility cloth and apparel. A reduction in money turnover of at least 10 per cent can be expected to follow, accounting for an increase in expenses of at least 2½ per cent of net sales. Credit must be taken for discounts received; an allowance of 3 per cent made for stock losses and mark-downs; and provision made for a net surplus of 3 per cent. The effect of these adjustments, according to the DCT and RDA, is that the retailer must be allowed an average margin of at least 29 per cent on utility cloth and apparel. The Board of Trade's fixed margins actually amount to an average of slightly over 28 per cent.

underwriting profits of £85,000 are supplemented by net interest earnings of £161,000—a reduction of £25,000, due to higher income tax—making total credits to profit and loss of £246,000. Sundry expenses take £14,000 and provision for British taxes £110,000; the cost of the dividend, which is unchanged at 3s. 6d. per share, less tax, is £138,000, and the balance of £523,000 carried forward is lower by £16,000. The company has a general reserve of £2,500,000.

Marine business is transacted through the *Merchants' Marine*, and the premium income of £369,000 is higher by £53,000; after making a substantial addition to the marine fund a profit of £14,000 is released. The medium for transaction of life insurance is the *Clerical, Medical and General*; net new business at £1,096,000 is £267,000 higher than in the previous year, but only about 40 per cent of the pre-war (1938) level. Premium income fell by £25,000 to £933,000 and the net rate of interest earned by 8/10 per cent to £3 1s. 0d. per cent. Death claims of £663,000 included war deaths costing £92,000, but resulted in only a small loss on mortality.

The accounts of the *General Accident* show increased premiums in both fire and accident departments coupled with highly satisfactory underwriting profits. Marine premiums are lower, pointing to a cautious policy in this department, and the fund at 116 per cent of premiums is considerably strengthened. New life business at a net figure of £1,128,000 shows an increase of £341,000 from the figures for 1940 and was about two-fifths of that written in 1938. The speech of the chairman (Sir Francis Norie-Muller, Bt., J.P.) was not very informative about conditions affecting the company's business in the year under review, but in view of its outstanding interest in motor insurance included a warning of a downward movement in premiums in 1942.

Net interest earnings on the general funds at £207,000 are £12,000 lower than in 1940, and aggregate credits amount to £921,000. The company does not follow the usual practice of debiting Dominion and foreign taxes in the revenue accounts—a feature to be borne in mind in comparing its profits with those of other offices—but includes these with home taxes in a single item in profit and loss, the amount involved being £453,000. Other miscellaneous expense charges absorb £71,000; there is a loss on sale of investments of £110,000, and £9,000 is transferred to the reserve for depreciation of investments and adjustment of exchange. £25,000 is again added to the additional reserve in the fire account, which now amounts to £350,000. After providing for the dividends at the same rates as in 1940, costing £186,000, the balance carried forward is £957,000, an increase of £68,000. As already reported in *The Economist* of April 11th, £500,000 of the carry-forward has been utilised to increase the paid-up value of the ordinary shares from 5s. to 10s. The company's position is strong, there being a general reserve of £2,000,000 as well as additional reserves totalling £600,000 in the fire and accident funds.

PREMIUMS AND UNDERWRITING PROFITS, 1941

Department	EAGLE STAR				EMPLOYERS' LIABILITY				GENERAL ACCIDENT			
	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall	Premiums	Rise or Fall	Under-writing Profits	Rise or Fall
Fire	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Accident	896	+ 63	72	+ 26	430	+ 13	21	+ 17	823	+ 62	175	+ 32
Marine	2,072	+ 207	152	+ 21	6,287	+ 436	64	+ 166	8,319	+ 791	541	+ 18
	545	- 147	50	...	...	...	...	...	319	- 89	- 2	- 1
Total, excl. Life, etc.	3,513	+ 123	274	+ 47	6,717	+ 449	85	- 149	9,461	+ 764	714	+ 49
Life	1,428	+ 196	3	+ 10	...	...	...	...	608	+ 13	...	- 6
Capital redemption	70	- 14	...	...	...	...	...	...	13	...	...	- 2
Grand Total	5,011	+ 305	277	+ 37	6,717	+ 449	85	- 149	10,082	+ 777	714	+ 41

GOVERNMENT OF SOUTHERN RHODESIA
FOUR AND A-HALF PER CENT. INSCRIBED STOCK,
1958-68.

CITY OF JOHANNESBURG
FIVE PER CENT. INSCRIBED STOCK, 1950-60.

NOTICE IS HEREBY GIVEN that in order to prepare the dividends due 1st October next the BALANCES of the several Accounts in the above-mentioned Stocks will be STRUCK on the night of the 1st September, and that on and after the 2nd September the Stocks will be transferable *ex-dividend*.

For Barclays Bank (Dominion, Colonial and Overseas)
C. D. ALCOCK, Manager.

Circus Place, London Wall, E.C. 2. 13th August, 1942.



The Thirteenth Ordinary General Meeting of Ford Motor Company Ltd. was held on August 19 at 88 Regent Street, London, W.1, the Rt. Hon. Lord Perry of Stock Harvard, K.B.E., LL.D., the Chairman, presiding. The following are points from the Chairman's Statement.

The year has been very busy and our various activities noteworthy and successful. At some future date it will be my pleasure to tell you many things of interest.

The Balance Sheet and Profit and Loss Account again reflect the Company's true position, without qualifications and reservations, financial matters requiring official negotiation having been satisfactorily settled.

The Company's financial strength is fully maintained. Excess of liquid assets over current liabilities is considerable and provides a strong reserve. The Directors have consistently followed a conservative policy, having made large but necessary annual provisions for depreciation and obsolescence of buildings, machinery, and equipment. They considered it necessary to keep a large proportion of these provisions in cash to finance renewals when required. The wisdom of this policy is emphasized in wartime when exceptionally heavy taxation demands have to be met. Such demands, including Excess Profits Tax at 100%, are based upon computed profits at a much higher level than those shown by the Accounts to have been earned. This anomaly is chiefly due to inadequate depreciation allowed for taxation as a charge against profits. The consequence is a heavy drain on cash resources. The position is common to industry generally.

The Company was the pioneer in manufacturing agricultural tractors. The famous Fordson Tractor was produced during, and assisted the National Food Campaign of, the last world war. Since then the Company so developed the business that farmers owned many thousands of tractors and had become "power-farming" minded. We are proud that the Fordson Tractor has been the keystone of the Nation's Food Campaign of this world war. A considerable number of the new American Ford Tractors, with Ferguson System, have also been distributed through the Company's organisation.

Our Dealer organisation further increased its reputation for efficient service in spite of undiminished difficulties. We appreciate all their efforts to keep essential transport running and every tractor at work. Prices of replacement parts have of necessity been advanced, but such increases are lower than rises in material and labour costs.

We have little information concerning Continental Associated Companies. The few operating in countries not occupied by the enemy are adapting themselves well to changed conditions and with the exception of the Spanish Company have earned profits during 1941.

Wage rates and hours of work are always of utmost importance. Our peace-time policy was to pay straight wage rates graduated upwards according to skill or ability from a high minimum hourly rate and to avoid overtime work. Our personnel thus enjoyed good employment with sufficient means and leisure time for personal and social activities; the high quality of our products is largely attributable to this policy. In wartime, circumstances and conditions are different. We still practise a policy of straight high-average wage rates but have increased working hours. Ford workers' efforts are truly described as personal unselfish patriotism for no premium overtime has been paid at Dagenham or our other Southern Works.

Rates of remuneration have been periodically reviewed in the light of increasing living costs and we have maintained the wartime Family Bonus Scheme. Our principle of two weeks holiday with pay has been continued; payment in lieu of holiday being made to those who, because of present conditions, are unable to take the full period.

Employees in H.M. Forces exceed 1,900 and the policy of assisting their dependents from the special Trust Fund, to which the Company contributes, has been continued. I regret to inform you that 28 employees have been killed on Service and 23 other employees killed in air raids on this Country. A.R.P. Services are maintained at a high level of efficiency and large numbers of our personnel are members of the Home Guard.

I commend the efficiency and keenness of our loyal band of employees—men and women. In their interests we have extended and maintained at customary high standard our feeding, hospital, sports and social facilities and amenities. We have continued contributions to our Pension and Benevolent Fund and to the Air Raid Relief Fund which was formed and is administered by employees themselves.

Many employees save regularly in our own old-established Savings Scheme. Nevertheless our War Savings Group is remarkably strong, over 80% of employees contributing regularly—the total in this form of National effort now exceeding £325,000. We have been commended by Lord Kindersley on our efforts. Increasing numbers contribute to the Red Cross Penny-a-Week Fund, the total subscribed now exceeding £3,500.

I advise you with regret of the death of one of our original Directors, Lord Illingworth, a very valued colleague of us all.

I offer to our General Manager, Sir Patrick Hennessy, congratulations on the honour of Knighthood which has been conferred upon him.

Because of the necessity of holding the Annual General Meeting at a later date than is usual in normal times, the Directors decided to declare an interim dividend of 3% in March last. Your Directors recommend that a final dividend of 3% be now declared, making 6% for the year, subject to Income Tax, which is the rate of dividend paid each year of the war. I suggest that Stockholders and the Company are entitled to the reflection that they are serving their Country well.

FORD MOTOR COMPANY LIMITED

88, REGENT STREET, LONDON, W.1, & DAGENHAM, ESSEX.

COMPANY MEETINGS

WATNEY COMBE REID AND COMPANY, LIMITED

LARGER SALES OF BEER

COL. O. P. SEROCOLD ON TAXATION

The annual general meeting of Watney Combe Reid and Co., Limited, was held on the 18th instant at the Windsor Castle Restaurant, London, S.W.

The chairman, Colonel O. P. Serocold, C.M.G., presided.

That portion of the chairman's speech circulated with the accounts having been taken as read, the chairman dealt briefly with the year's figures, which, he said, were largely influenced by the increases in trade, beer duty and the continued rising trend of the cost of all commodities and services.

DEFERRED REPAIRS

The restriction imposed upon expenditure on properties had contributed to the increased cash and investments, and at the same time had necessitated a provision in the profit and loss account of £200,000 for deferred repairs, which amount was calculated by reference to the average annual expenditure, plus a percentage increase to meet the estimated additional cost of materials and labour.

No alteration had been made in the properties figure for damage sustained by enemy action, compensation for which would presumably be paid ultimately by the Government in return for the company's contributions under the War Damage Act. Certain properties had, however, been specially written down by applying a part of the sum transferred from property improvement and contingency reserve, as stated in the report.

Customers' trading deposits showed a considerable increase, but not incommensurate with the enhanced amounts due from them, a large proportion of which represented beer duty.

TAXATION AND BEER DUTY

Referring to the increased provision for taxation and beer duty owing, the chairman stated that an indication of the extent to which the company acted as tax-gatherers for the Revenue was given by the fact that during the year there had been paid in income-tax, N.D.C., and beer duty just under 6½ million pounds, which included only two and a-half months at the increased rates of beer duty imposed by the Budget in April last.

INCREASED TRADING PROFIT

The increase in trading profit could be considered as satisfactory. Rental income, although up compared with last year, was still considerably below the level of pre-war years, but reflected the improved conditions for trading which had existed during the period under review as compared with the previous year, when allowances to tenants had been necessary.

The proposed allocation to the property improvement and contingency reserve for the year would help to build up that reserve against the time, at present unpredictable, when expenditure on properties, which must of necessity be heavy, could be resumed.

STAFF AND EMPLOYEES

A large number of the staff and employees had answered the call of National Service, and consequently an immense amount of work and responsibility had devolved on those senior members who are left. The directors wished to record their thanks and gratitude to these key men and women for their exemplary services as well as to the newcomers for their valuable assistance in carrying on the work of the company, and to send greetings to all those of the company absent on National Service.

The report, balance-sheet and accounts were adopted.

AMALGAMATED METAL CORPORATION, LIMITED

MR CHARLES V. SALE'S SPEECH

The thirteenth annual general meeting of the members of the Amalgamated Metal Corporation, Limited, was held at Princes House, London, E.C., on the 19th instant. Mr Charles V. Sale, Chairman, presiding said:—

Gentlemen, before proceeding to business I have to record with deep regret the death on November 24th of our friend and colleague Mr William Murray, a member of the board of Henry Gardner & Co., Limited, since its formation; also a member of the board of this corporation since 1930. His cheerful presence and shrewd judgment will be greatly missed.

I ask you to give your attention in the first place to the combined balance-sheet of the constituent companies for the year ended December, 1941.

BALANCE SHEET CHANGES

Current liabilities are less by £1,342,000 than in 1940, chiefly owing to a decrease of £554,000 in creditors and accrued charges, and the repayment of a loan—£758,000. Current assets show increases in cash and Government securities by £503,000; likewise debtors and bills receivable by £111,000. On the other hand, there are no payments in advance, which last year amounted to £2,076,000, and stocks of merchandise have decreased by £321,000.

Investment holdings show a net increase of £487,000, chiefly arising from a temporary advance to a subsidiary company. This temporary advance—about £500,000—together with over £2,100,000 of the debtors and bills receivable, represented the total outstandings at the end of 1941 in respect of the trade overseas in rubber, tin and so forth in which Henry Gardner & Co. had been so largely engaged. Since then, as you will observe from the notes on the balance-sheet, these items have been liquidated. As a result of the policy of caution, prompted by the trend of events in the East, the tonnage of merchandise at risk in the danger zone—mainly tin—had been greatly reduced by the time the invasion of Malaya and the Netherlands East Indies took place, and provision was made in the accounts before you for losses arising from enemy action.

It is not possible to place a value on the shares in German and Belgian companies representing a book value of £794,536. The proceedings in Switzerland against the Société Suisse pour Valeurs de Métaux, the trustees for its debenture holders and the Schweizerische Bankverein, Basle, mentioned in previous reports, move slowly; recently, however, we have received the Defence and our legal adviser will shortly lodge the Reply.

I cannot leave these remarks without apologies for the omission of an explanatory footnote relating to the comparative figures of profit. The fall in 1941 appears to be £136,107, but, as mentioned last year, the 1940 accounts included receipts of

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE rather better reports from the war fronts and the announcement of the Moscow meetings provided the background to a further advance in the markets. Although chief attention was still centred on equity stocks, the ordinary share index of the *Financial News* reaching the highest level of the year, interest showed a tendency to broaden in the current week. Average daily markings were a little short of 3,800, and Monday's figure of 4,633

£73,637 attributable to the year 1939. Thus the comparable figures are £326,834 in 1940 and £264,364 in 1941; therefore the actual fall is £62,470.

DIVIDEND OF 3½ PER CENT.

Turning from the combined balance-sheet to the profit and loss account of your corporation, you will see that credit has been duly taken for £217,562 received by way of dividends from the constituent companies. After deduction of the preference dividends already paid, your directors recommend a dividend of 3½ per cent. upon the ordinary shares, leaving £36,026 to be carried forward against £33,054 brought in. If this be your pleasure, the reserves and undivided profits for the whole of your undertaking will then total £1,332,875 against £1,283,101 last year—an increase of £49,774.

The report and accounts were unanimously adopted.

WILLIAM HANCOCK AND COMPANY, LIMITED

SUBSTANTIAL PROGRESS

The fifty-fifth annual general meeting of William Hancock and Co., Limited, was held, on the 13th instant, at Cardiff, Col. J. Gerald Gaskell (chairman and managing director) presiding.

The chairman said that the company had made very substantial progress during the year. In fact, the trading profit had reached the figure of £249,963, a larger figure than any which they had attained during any previous year of the company's 55 years of trading. The result would be still more gratifying if a larger amount of that trading profit could be distributed to the shareholders. They had, however, been able to maintain a dividend on the ordinary stock of 10 per cent., which they had now been able to pay for five years. The balance-sheet seemed to him to be a good one and the company's financial position much stronger than in previous years.

It was not unusual to read that the results of trading concerns had been attained under great difficulties. That of course was obvious, and must be so under war conditions. For instance, the sum paid in Beer Duty alone had amounted to rather more than ten times the total profit shown available for distribution. Then again the cost in the price of materials used in brewing had risen to a figure last year of something like five times the pre-war cost.

There remained an exceptional demand for their products, a demand that was well beyond their capacity to fulfil on account of the difficulty of obtaining materials, and for the reason that they were now, and had been for some months, brewing to their maximum capacity. As a consequence it had been necessary to introduce a system of rationing which they thought had been fairly based on a percentage well above pre-war requirements.

The report was adopted.

W. J. BUSH AND COMPANY, LIMITED

DIVIDEND OF 10 PER CENT.

DR ISHERWOOD'S STATEMENT

The forty-fifth annual general meeting of W. J. Bush and Co., Limited, was held on the 17th instant at the Great Eastern Hotel, Bishopsgate, E.C.

Dr P. C. C. Isherwood, O.B.E., Ph.D., F.I.C. (chairman and managing director), presided.

The Secretary (Mr D. E. Arnold, F.C.I.S.) read the notice calling the meeting and the report of the auditors.

The following is the statement of the chairman circulated with the report and accounts.

Your directors have decided that, under existing conditions, it is again desirable to dispense with the usual review of the past year's working by the chairman at the forty-fifth annual general meeting of the company, and for me to provide a brief report to accompany the directors' report and statement of accounts for the year 1941.

In November of last year the company suffered the loss of Mr James Mortimer-Bush, who had been a managing director since its incorporation in 1897 and chairman since 1903. Mr J. M. Bush had devoted his whole working life to the interests of the organisation at home and abroad. Both directors and staff throughout the world have lost a great leader and friend.

I have worked in close association with Mr Bush for over 40 years, and was honoured by the board asking me to accept the office of chairman, made vacant by his death, while Mr H. B. Bush accepted the appointment as a managing director. Owing to the great expansion of the company's business your directors consider it desirable to enlarge the board, and Messrs. C. F. Bush and A. J. McIntyre were appointed directors. Recently the managers of our subsidiaries in Canada and the United States of America, Messrs M. St. Alphonse and R. R. Webb respectively, were appointed to the board.

During the year under review, the company obtained a net profit of £163,278, after providing for debts in all enemy occupied countries. Of this figure it is estimated that in addition to amounts already provided a sum of £84,085 is required for taxation, leaving £79,193 as the net earnings for the year. This, added to the amount of £153,398 brought in from the previous year, less preference dividend, makes a total of £226,341 to be dealt with.

Your directors recommend that this be disposed of as follows: By the payment of a final dividend of 6 per cent on the ordinary shares, making (with the interim dividend already paid) 10 per cent. for the year, £25,000; by adding to reserve against possible plant obsolescence £15,000, and by carrying forward the balance £178,341.

The report was unanimously adopted.

home rail market, junior stocks enjoying small but steady gains. Daily markings in the foreign rail market showed some improvement, South American issues hardening on light support, and Argentine ordinary stocks gaining several small advances.

Both markings and prices showed steady improvement in the industrial market. Although leading equities were in demand, shortage of stock, together with the low yields obtainable, turned investors' attention to some of the lesser-known stocks. Persistent buying of textile shares on the immediate prospects of the industry occasioned an all-round advance in this section. Heavy industrial issues attracted steady

support, William Cory, Firth Brown, Whitehead Iron and Hadfields all improving. In the shipping section, the results of British India Steam Navigation drew attention to the prospects of P. & O., while both Clan and Coast Lines were prominent. Statements on the extent of the increased tobacco consumption prior to the last Budget gave rise to considerable activity among tobacco shares. Imps was outstanding, rising $\frac{3}{8}$ at the re-opening, while Gallaher and Carreras also advanced. BAT, in contrast, showed little change on the interim dividend announcement. Brewery stocks were particularly strong, Bass, Guinness and Watney deferred leading the general advance, which included several provincial brewery shares. The general upward trend was not fully reflected in the motor and aircraft group at the beginning of the week, when a rise of $\frac{1}{8}$ for Rolls Royce overshadowed many narrow movements, but there were several small improvements in midweek. Among stores issues, leading shares were bought, while in the miscellaneous section, International Nickel, Sudan Plantations, Hudsons Bay and International Paint were all in demand.

cipated in the general advance. Anglo-Egyptian provided the exception with a fall of $\frac{1}{8}$, but recovered in the current week. Among South American issues, VOC and Trinidad Petroleum Development enjoyed support, while Anglo-Iranian remained firm.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Cores Day 1941	Security Indices	30 Ord. shares*	20 Fixed Int.†
Aug. 13.....	3,864	3,186	81.9	133.5	
" 14.....	3,557	3,088	82.2	133.6	
" 17.....	4,633	2,869	82.5	133.6	
" 18.....	3,894	3,713	82.6	133.6	
" 19.....	3,501	3,167	82.8	133.6	

* July 1, 1935-100. † 1928-100. 30 Ordinary shares, 1942 highest, 82.8 (Aug. 19); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5). † New basis in S.E. List. ‡ Old basis.

New York

The *kaffir* market reflected the improved war news with a revival of investment demand for dividend paying mines. Prominent in the general improvement were Sallies, Rand Mines, Sub Nigel and Crown Mines, but Blyvoors, among other developing mines, was barely steady. Among *diamond* issues, De Beers deferred was in demand, rising $\frac{1}{8}$ point on the week. Activity in the *tea* and *rubber* markets was slight, although some support for leading tea issues was reflected in good gains for Nuwara Eliya and Pabbojan at the re-opening. The oil market was distinctly firm at the close of last week, some late support raising Burmah and Anglo-Iranian $\frac{1}{8}$, while Shell and Mexican Eagles parti-

THE initial success in the Solomon Islands, together with reports of strong Russian resistance and Mr Churchill's visit to Moscow, provided the incentive for a general advance on Wall Street throughout the past week. Rather bullish sentiment encouraged widespread buying, attributed largely to investment demand, raising many quotations to the year's highest level. Aircraft and other war specialities led the upswing before the weekend, gains of two points being general, while despite some light profit taking, the advance continued in the current week.

Total share dealings: Aug. 13, 317,000; Aug. 14, 380,000; Aug. 15, 127,000; Aug. 17, 294,000; Aug. 18, 557,000; Aug. 19, 504,000.

* Two-hour session only.

COMMODITY AND INDUSTRY NEWS

British Overseas Cottons.—About two years ago, under the Defence (Encouragement of Exports) Regulations, 1940, the Board of Trade imposed a levy of 5d. per 100 lb. of raw cotton bought by spinners for the purpose of defraying expenses in the promotion and financing of export trade in cotton goods, and it is now announced that the levy is to be suspended for the time being. The object of the fund created was to finance British Overseas Cottons, Limited, and it has been stated in Parliament that about £50,000 had been lost by the company. There is still a considerable surplus, and the work of British Overseas Cottons, Limited, will continue. In Lancashire this organisation has been criticised, but some favourable results have been achieved. Many small merchant firms have benefited owing to this organisation being in a position to deal in bulk with the numerous small allocations which would have been difficult to work on individual lines.

Utility Scheme Allocations.—Arrangements are now being made for some revision of the system of granting allocations for cotton and rayon goods under the utility scheme. The original allocations have resulted in some anomalies and discussions have taken place between the Cotton and Rayon Merchants' Association and the Cotton Board. It has been generally agreed that some modifications are necessary in determining a basis of qualification for converted-merchants. A meeting of all converters concerned in utility allocations is to be held in Manchester, where a more equitable basis of qualification will be outlined.

Domestic Pig Ration.—Rations for pigs kept for fattening by domestic pig keepers are to be reduced. From September 1st a

ration will be allowed for only one pig instead of two, and two instead of four for members of pig clubs registered with the Small Pig Keepers' Council. Rations will continue to be issued on the present basis during September and October, provided that the larger number of pigs continues to be kept during that period. New registrations will only be allowed on the new basis from September 1st. The scale of rations per pig will remain unchanged at $\frac{1}{4}$ unit of cereals per month with a small allowance of protein in addition for members of pig clubs registered with the Small Pig Keepers' Council.

Export Control.—Under the Export of Goods (Control) (No. 33) Order (S.R. and O. No. 1598), which comes into force on August 31st, licences will be required to export lace and lace net, wholly or mainly of cotton, artificial silk or both, and articles made wholly or mainly of such lace or lace net other than hair nets; manufactures

STANDARD STATISTICS INDICES (1935-36 = 100)

WEEKLY AVERAGES					
1942					
	Low April 29	High Jan. 14	July 29, 1942	Aug. 5, 1942	Aug. 12, 1942
347 Industrials	62.4	75.0	69.9	69.8	70.1
32 Rails	58.4d	71.0d	63.9	64.1	64.0
40 Utilities	53.1	67.4d	58.2	58.4	58.4
419 Stocks	60.8	73.3	67.7	67.7	67.9
Av. yield*	8.40%	6.72%	7.00%	7.01%	6.97%

* 50 Common Stocks.
(a) Jan. 7. (b) Feb. 4. (c) July 15. (d) June 24.

DAILY AVERAGE OF 50 COMMON STOCKS

Aug. 6	Aug. 7	Aug. 8	Aug. 10	Aug. 11	Aug. 12
85.8	86.3	86.2	86.2	86.5	86.5

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Capital Issues

Week ending August 22, 1942	Nominal Capital	Con- versions	New Money
To Shareholders only	1,062,017	1,057,934	Nil
Particulars of Government Issues appearing on page 253		Including Conversions	Excluding Conversions
Year†			
1942	1,015,000,460	1,000,279,712	
1941	1,039,289,967	987,155,385	

Destination (Conversions Excluded)			
Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1942	999,875,250	349,272	55,190
1941	983,804,539	3,280,846	70,000

Nature of Borrowing (Conv. Excl.)			
Year†	Deb.	Prof.	Ord.
1942	993,531,200	751,318	6,028,194
1941	983,189,703	304,460	3,636,223

† Includes Government issues to August 8, 1942, only. Above figures include all new capital in which permission to deal has been granted.

BRITISH WHOLESALE PRICES

CEREALS			
	Aug. 11, 1942	Aug. 18, 1942	
GRAIN, etc.			
Wheat	s. d.	s. d.	
No. 1 N.Mt. 496 lb. f.o.b. St. J.	37 8	37 7	
Eng. Gaz. av. per cwt. (c)	15 8	15 6	
Barley Eng. Gaz. av. per cwt. (c)	34 2	34 6	
Oats (c)	14 7	14 6	

OTHER FOODS			
	8	0	7 6
POTATOES (per cwt.)			
English, new	9	0	8 0

TEXTILES			
	31/0/0	30/0/0	
JUTE (per ton)			
Daise 2/3 c.l.f. Dundee	4 11	4 10	
Common 8 lb. cops (per spindle)	0 5 00	0 5 00	
8/40 Hessians, per yd.	51 0	51 0	
10/40 Calcutta Hessians, spot	39 6	39 6	
100 yds.			
7 1/40			

MISCELLANEOUS			
	9/10/0	9/11/6	
CHEMICALS			
Ammonia, Sulphate, per ton			

(c) Average for weeks ended Aug. 1 and Aug. 8.

AMERICAN WHOLESALE PRICES

GRAINS (per bushel)			
	Aug. 11, 1942	Aug. 18, 1942	
Wheat, Chicago, Sept.	117 1/2	117 1/2	
Maize, Chicago, Sept.	86 1/2	86 1/2	
Oats, Chicago, Sept.	50 1/2	49 1/2	
Rye, Chicago, Sept.	63 1/2	61 1/2	
Barley, Winnipeg, Oct.	61	60 1/2	

MISCELLANEOUS (per lb.)			
	19-32	19-46	
Cotton, N.Y., Am. mid., spot	17 7/8	17 7/8	
Am. mid., Sept.	17 7/8	17 7/8	
Cotton Oil, N.Y., Sept.	13 66	13 70	
Moody's Index of staple commodities, Dec. 31, 1931=100.	230.3	230.4	

* Highest level reached during 1932-37 recovery.

Finance

GOVERNMENT RETURNS

For the week ended August 15, 1942, total ordinary revenue was £44,560,000, against ordinary expenditure of £107,993,000, and issues to sinking funds of £150,000. Thus, including sinking fund allocations of £3,052,965, the deficit accrued since April 1st is £1,078,202,000 against £1,124,956,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	Receipts into the Exchequer (£ thousands)			
		April 1 to Aug. 16, 1941	April 1 to Aug. 15, 1942	Week ended Aug. 15, 1941	Week ended Aug. 15, 1942
ORDINARY REVENUE					
Income Tax	913,000	132,658	216,518	5,592	15,657
Sur-tax	78,000	10,364	9,890	336	200
Estate, etc.	90,000	36,766	36,751	1,840	1,510
Duties	15,000	3,831	4,540	100	100
Stamps	425,000	6,884	9,534	296	341
N.D.C.	69,500	98,811	4,700	7,370	
E.P.T.	1,000	165	240	10	
Other Ind. Rev.	152,200	260,172	376,284	12,774	25,178
Total Ind. Rev.	438,295	129,612	169,511	8,686	12,353
Excise	366,705	115,916	151,400	5,250	4,200
Total Customs & Excise	805,000	245,528	320,911	13,936	16,553
Motor Duties	34,000	8,920	4,433	103	
Canadian Govt. Contribution	225,000	...	127,849	...	...
P.O. (Net Receipts)	10,000	7,050	9,650	1,700	1,150
Wireless Licences	4,300	...	890	...	...
Crown Lands	800	430	360	...	...
Receipts from Sundry Loans	5,000	1,833	878	65	92
Miscellaneous Receipts	21,000	21,699	36,903	1,000	1,484
Total Ord. Rev.	262,710	545,632	878,158	29,475	44,560
SELF-BALANCING P.O. & Broadcastg.	102,523	33,400	35,600	1,150	1,250
Total	272,962	579,032	913,758	30,625	45,810

Expenditure	Estimate, 1942-43	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Aug. 16, 1941	April 1 to Aug. 15, 1942	Week ended Aug. 15, 1941	Week ended Aug. 15, 1942
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	325,000	116,965	139,875	5,475	15,253
Payments to N. Ireland	9,500	2,600	2,683	...	...
Other Cons. Fund Services	7,800	3,122	3,440	40	40
Supply Services	342,300	122,687	145,998	5,515	15,293
Total Ord. Exp.	528,647	166,793	195,307	86,015	107,993
SELF-BALANCING P.O. & Broadcastg.	102,523	33,400	35,600	1,150	1,250
Total	538,902	170,133	198,897	87,165	109,243

After decreasing Exchequer balances by £178,270 to £2,642,234, the other operations for the week (no longer shown separately) raised the gross National Debt by £62,283,337 to about £15,147 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Aug. 15th and Aug. 21st. (Figures in brackets are par of exchange.)

United States. \$ (4-88) 4-02-03; mail transfers 4-02-03	Canada. \$ (4-88) 4-43-47; mail transfers 4-43-47	Switzerland. Francs (25-28) 17-30-40	Sweden. Krona (18-158) 16-85-95	Argentina. Peso (11-46) 16-95-17-13; mail transfers 16-95-17-15	Dutch West Indies. Florin (12-12) 7-59-62; mail transfers 7-58-64	Portugal. Escudos (110) 99-80-100-20	Panama. \$ 4-02-04; mail transfers 4-02-04
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Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (25-28) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Piastres (110) 520. Italy. 11-25 lire.

NET ISSUES (£ thousands)	
P.O. and Telegraph	150
Anglo-Turkish Armaments	1
War Damage Act	1,245
Land Settlement Acts	28
	1,273

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1941				
Aug. 16	960.0	Not available		
May 16	965.0	"		
" 23	975.0	"		
" 30	975.0	1805.3	254.8	518.5
June 6	975.0	Not available		
" 13	975.0	"		
" 20	975.0	"		
" 27	975.0	2,638.5	160.4	36.3
July 4	975.0	Not available		
" 11	975.0	"		
" 18	975.0	"		
" 25	975.0	1654.3	166.8	654.5
Aug. 1	975.0	Not available		
" 8	975.0	"		
" 15	975.0	"		

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1941					
Aug. 15	75.0	151.8	75.0	s. d.	34
1942					
May 22	75.0	143.9	75.0	20 0-78	42
" 29	75.0	151.5	75.0	20 0-70	36
June 5	75.0	147.3	75.0	20 0-56	36
" 12	75.0	131.6	75.0	20 0-67	44
" 19	75.0	124.3	75.0	20 0-90	49
" 26	75.0	141.4	75.0	20 0-58	41
July 3	75.0	143.9	75.0	20 0-54	40
" 10	75.0	157.7	75.0	20 0-82	33
" 17	75.0	139.6	75.0	19 11-35	35
" 24	75.0	136.6	75.0	19 11-91	28
" 31	75.0	155.1	75.0	20 0-71	38
Aug. 7	75.0	151.4	75.0	20 0-69	44
" 14	75.0	135.6	75.0	20 0-69	44

On Aug. 14th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 44 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury Bills are being offered on Aug. 21st. For the week ending Aug. 22nd the banks will not be asked for Treasury deposits

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

(£ thousands)				
Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
July 7	4,025	2,116	8,546	5,855
" 14	3,913	2,075	8,670	13,966
" 21	4,039	1,987	18,059	11,902
" 28	3,887	1,733	12,240	33,902
Aug. 4	3,447	1,445	10,701	4,777
" 11	3,979	1,863	6,055	4,159
" 18	...	...	5,417	6,694
Totals to date	593,082*	482,157*	823,378†	523,091‡

COMPANY RESULTS (August 4 to August 18, 1942)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
All Saints' Brewery	June 30	£ 24,062	£ ...	£ 9,099	£ 51,259	£ 1,672	£ 6,140	% 20	£ 1,000	£ + 287	£ 23,964	£ 10,085	% 20
Clarkson's Old Brewery	June 30	67,888	2,005	11,635	23,597	3,900	8,125	121	...	+ 390	50,359	10,815	10
Colchester Brewing	June 30	38,889	...	9,350	79,626	2,625	4,682	71	1,000	+ 1,043	36,092	10,481	71
Friary Holroyd & Healy's	June 30	342,541	10,000	112,352	136,241	20,936	77,037	13	20,000	+ 5,621	338,389	129,593	13
Kay's Atlas	June 30	10,978	1,000	7,946	50,106	1,980	6,250	10	...	+ 284	12,728	9,728	10
Lovibond (John)	Mar. 31	23,962	...	11,388	32,147	3,025	6,300	12	2,000	+ 63	21,016	10,442	12
Parker's Burslem	June 2	375,585	10,000	38,783	75,633	7,576	28,700	14	...	+ 2,507	302,979	39,357	14
Shewell's Brewery	June 30	55,466	...	18,317	63,747	6,900	11,000	271	...	+ 417	55,934	24,332	30
Tatpallin & Sons (Brighton)	April 30	473,365	22,062	53,703	89,288	38,400	9,300	...	6,000	+ 3	388,564	60,176	8
Watney, Combe & Reid	June 30	2,694,492	...	1,060,524	1,389,485	211,663	573,373	18	250,000	+ 25,488	2,391,104	908,598	18
Wells' Watford	April 30	19,739	4,794	8,898	15,123	8,388	...	...	...	+ 510	10,088	2,981	NH
Coal, Iron and Steel													
Associated Coal & Wharf	Mar. 31	54,469	...	51,625	63,849	...	23,066	71	15,000	+ 13,559	69,358	63,524	9
Briggs (Henry), Son & Co.	June 30	74,158	...	72,503	128,038	...	35,500	10	30,000	+ 7,003	82,538	80,693	10
Stephenson Clarke & Assoc. Cos.	Mar. 31	673,417	136,834	225,995	346,778	40,500	75,000	10	97,908	+ 12,587	668,300	185,361	71
Thomas (Richard)	Mar. 28	3,165,537	763,107	480,326	633,623	156,017	121,875	5	100,000	+ 102,434	3,077,593	322,608	NH
Financial, Land, &c.													
Bechuanauland Exploration	Mar. 31	26,674	3,282	5,041	5,531	...	5,044	111	...	+ ...	28,396	3,037	111
Briggs (Henry) Trust	June 30	29,667	...	29,258	42,331	...	25,574	61	3,000	+ 681	30,164	29,692	61
Eastern International Rubber Trust	June 30	9,193	...	7,745	11,649	...	...	...	...	+ 7,745	11,911	9,583	2
Tea Corporation	Jan. 31	22,917	765	8,710	11,223	...	7,350	7	...	+ 1,420	23,152	6,478	5
Hotels, Restaurants, &c.													
Gordon Hotels Limited	Dec. 31	458,882	...	Dr. 22,471	Dr.180,769	...	...	...	...	- 22,471	458,546	Dr. 84,309	NH
Motor, Aviation, &c.													
Ford Motor Co.	Dec. 31	3,412,035	793,443	459,125	1,420,841	...	270,000	6	100,000	+ 89,125	2,748,855	557,679	6
Rubber													
Bangawan	Dec. 31	11,998	885	7,354	14,439	...	...	...	5,000	+ 2,354	41,798	7,256	NH
Bukit Panjong	Dec. 31	16,887	3,379	4,251	7,774	...	5,403	3	...	+ 1,152	18,497	12,511	3
Chersonese (F.M.S.)	Dec. 31	7,307	...	Dr. 2,361	14,232	...	...	...	...	+ 2,361	27,714	3,129	5
Cheviot	Dec. 31	89,274	3,500	18,517	40,376	...	...	...	...	+ 18,517	84,191	28,420	10
Eow Seng	Dec. 31	9,933	...	Dr. 7,296	6,825	...	...	...	...	+ 7,226	13,074	5,691	6
Golconda Malay	Dec. 31	18,128	...	659	2,515	...	...	...	...	+ 659	18,521	6,956	9
Highlands & Lowlands	Dec. 31	40,430	8,093	15,143	57,899	...	9,284	6	...	+ 5,859	63,831	28,942	10
Kinamin	Dec. 31	42,243	11,970	Dr. 927	13,047	...	...	...	...	+ 927	47,136	15,677	71
Krian Plantations	Dec. 31	14,460	950	4,290	9,907	...	1,250	21	...	+ 3,040	16,801	4,016	71
Labu	Dec. 31	82,876	3,000	29,400	50,281	...	...	...	...	+ 29,400	72,855	22,737	10
Langkat Sumatra	Dec. 31	13,209	...	Dr. 6,655	Dr. 4,497	...	...	...	...	+ 6,655	16,535	3,948	7
Lok Kawi	Dec. 31	12,670	...	4,102	5,711	...	...	...	2,500	+ 1,602	16,122	7,288	8
Medini	Dec. 31	1,374	...	Dr. 282	45	...	...	...	...	+ 282	6,005	2,788	6
Perak	Mar. 31	10,533	1,111	6,104	9,459	...	...	...	...	+ 6,104	19,322	10,156	10
Rubber Estates of Ceylon	Dec. 31	12,240	500	5,886	7,316	...	3,675	21	2,000	+ 211	11,391	6,223	2
Scottish Malayan	Dec. 31	83,513	8,270	11,085	19,223	...	7,838	3	...	+ 3,247	101,277	19,023	9
United Sui Betong	Dec. 31	357,782	110,500	141,872	201,249	...	54,000	6	...	+ 87,872	317,511	148,823	15
Shipping													
British India Steam	Sent. 30	2,025,812	1,124,463	203,737	265,008	145,000	57,432	6	...	+ 1,305	1,722,826	207,268	6
Royal Mail Lines	Dec. 31	944,507	360,000	120,420	253,141	...	120,000	6	...	+ 420	1,102,457	218,377	6
Shops and Stores													
Great Universal Stores	Mar. 31	493,994	10,351	148,435	158,098	26,950	100,000	(b) 12	22,000	- 515	328,236	84,116	12
International Tea Stores	May 2	927,194	80,000	499,159	618,221	210,771	186,000	12	100,000	+ 2,388	843,504	495,995	12
Sanders Bros. (Stores)	April 25	33,496	...	27,587	97,375	13,125	14,100	71	...	+ 362	36,127	30,257	71
Stewart's Cash Stores	Mar. 28	68,290	...	8,005	15,461	...	...	...	...	+ 3,891	37,897	4,674	NH
Tea													
Budla Beta	Dec. 31	58,279	5,000	14,731	19,812	...	10,000	5	3,000	+ 1,731	30,823	11,525	5
Longai Valley	Dec. 31	18,405	...	6,291	10,539	1,501	1,958	4	3,000	+ 168	17,665	3,406	2
Looksan	Dec. 31	13,256	...	4,553	6,690	412	1,469	10	2,500	+ 172	7,460	1,714	7
Lungla (Sylhet)	Dec. 31	61,508	4,989	13,916	20,519	3,850	5,253	3	5,000	+ 187	44,490	16,069	2
Noyapara	Dec. 31	30,690	...	6,491	35,240	...	6,375	81	...	+ 116	22,927	5,760	5
Rungajau	Dec. 31	27,578	...	7,022	13,722	636	3,387	10	2,500	+ 499	17,047	4,689	10
Telegraphs and Telephones													
Oriental Telephone	Dec. 31	146,012	...	96,279	155,744	13,215	57,020	10	...	+ 26,044	165,406	130,466	10
Textiles													
Harben's (Viscose)	April 30	90,734	22,000	19,898	37,336	18,000	...	...	...	+ 1,898	82,507	14,843	NH
Holden (Isaac)	June 30	21,659	7,500	17,186	36,048	5,437	13,594	121	...	+ 1,845	25,270	20,270	15
Trusts													
Palmerston Investment	June 30	6,000	...	3,850	5,697	...	2,720	2	1,000	+ 1,30	8,965	5,643	4
Second Consolidated	June 15	68,399	...	15,080	15,675	15,000	...	...	...	+ 80	62,548	18,064	NH
Other Companies													
Amalgamated Metal Corporation	Mar. 31	218,357	...	212,225	245,279	54,000	155,253	31	...	+ 2,972	325,323	321,187	6
Amalgamated Press	Feb. 28	750,162	...	313,765	530,427	157,500	54,000	10	100,000	+ 2,265	593,554	305,614	10
Associated Weavers	April 30	49,654	...	19,794	31,107	3,000	9,000	20	...	+ 7,794	53,850	20,150	20
Aveling Bedford	Mar. 31	70,377	...	27,891	68,161	4,641	20,000	101	...	+ 3,250	75,594	29,094	101
British Film Corporation	Mar. 31	138,130	1,094	15,506	36,213	5,819	6,504	50	...	+ 3,383	135,902	12,839	50
Burns, Philp & Co.	Mar. 31	1,593,523	107,865	194,436	232,066	200,000	...	...	...	+ 5,564	1,385,059	210,657	10
Bush (W. J.)	Dec. 31	182,903	14,375	56,193	209,591	6,250	25,000	10	...	+ 24,943	172,640	44,715	10
Darlington, &c., Rolling Mills	Mar. 31	88,458	...	59,787	78,397	15,600	22,500	71	21,326	+ 361	91,316	53,290	71
Day & United Engineering	Mar. 31	68,929	15,291	43,532	162,792	23,531	71	...	...	+ 20,001	68,361	42,630	71
Eastwood & Sons	Mar. 31	33,095	7,500	14,623	27,246	16,150	14,25	161	Dr. 8,000	+ 2,048	40,984	23,456	33
Low Temperature Carbonisation	Mar. 31	133,049	10,845	32,132	60,895	...	28,022	31	...	+ 4,110	123,344	26,342	31
Manley & Regulus	Dec. 31	41,056	4,400	13,591	Dr. 11,831	700	6,376	10	...	+ 13,591	34,859	10,927	NH
"News of the World"	April 30	130,875	24,199	15,466	38,711	...	67,500	...	...	+ 8,390	57,287	17,686	10
Provincial Cinematograph Theatres	June 30	666,800	40,000	255,840	277,927	126,000	70,947	15	...	+ 8,607	535,292	219,055	15
Reeves & Sons	Mar. 31	182,903	14,375	56,193	209,591	394,157	202,500	75,000	...	+ 1,599	441,778	217,884	15
Saber, Bartle (South Africa)	April 30	656,238	121,000	279,099	17,069	13,457	8,874	...	...	+ 8,195	Dr. 5,991	Dr. 8,802	NH
Sanders & Co.	Mar. 31	118,756	...	40,465	42,071	12,375	27,500	10	...	+ 970	85,059	39,331	10
Spears & Limited	Mar. 31	36,060	...	11,014	20,494	...	7,500	15	3,000	+ 514	49,214	16,466	15
Thorn Electrical	April 30	241,399	...	88,963	205,766	19,275	60,275	20	11,000	+ 1,587	(a)216,177	106,714	22
Walker Brothers	Dec. 31	64,677	...	29,681	35,935	4,000	20,625	121	5,000	+ 56	73,932	29,225	121
Wilson Brothers Bobbin Co.	Mar. 31	87,311	...	33,681	40,415	1,560	10,000	20	20,000	+ 2,181	52,671	25,535	20
Totals (2000's):	July 15	30,633	2,230	2,898	2,898	2,198	700	7	...	...	39,138	2,091	7
August 4 to August 18, 1942		20,667	...	20,667	23,142	...	17,100	6	5,000	- 1,433	22,248	4,248	6
January 1, 1942, to August 18, 1942..	No. of Cos. 78	23,356	3,865	5,892	9,524	1,582	2,793	...	1,005	+ 502	20,840	5,082	...
	1,263	258,740	24,370	119,478	198,293	26,630	73,569	...	14,324	+ 4,955	260,278	125,571	...

UNITED STATES: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1941			1942						
		1929	1932	1938	1939	1940	1941	May	June	July	Jan.	Feb.	Mar.	April	May	June	July
Population June, 1940: 131,954,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kms.																	
1. Industrial production, adj. F.R.B.	1935-39=100	110	58	88	108	122	155	154	159	160	171	172	171	173	176	180	...
2. " unadj. F.R.B.	"	110	58	89	108	123	156	155	160	159	165	167	168	171	177	181	...
3. Manufactures, dur. adj. F.R.B.	"	132	41	78	108	138	193	190	195	199	222	226	229	232	239	248	...
4. " non-dur., adj. F.R.B.	"	93	70	95	108	118	135	135	139	138	143	142	139	139	139	140	...
5. Minerals, adj. F.R.B.	"	107	67	97	106	117	125	125	132	131	131	129	127	130	131	131	...
Building contracts awarded:—																	
6. Total, adj. F.R.B.	1923-25=100	117	28	64	72	81	122	101	117	139	118	128	125	128	121	197	...
7. Residential, adj. F.R.B.	"	87	13	45	60	72	89	88	101	115	82	100	95	82	70	88	...
8. Other, adj. F.R.B.	"	142	40	80	81	89	149	111	129	158	147	151	149	165	163	286	...
9. Freight-car loadings, adj. F.R.B.	1935-39=100	152	78	89	101	109	130	135	139	138	140	139	136	143	143	141	14
10. Dept. store sales, adj. F.R.B.	1923-25=100	111	69	85	90	94	110	105	104	115	138	126	124	117	108	104	...
Employment:—																	
11. Non-agricultural, adj. F.R.B.	'000	...	...	...	...	...	...	38,824	39,296	39,903	40,910	40,849	40,937	40,972	41,084	41,174	...
12. " unadj. B.L.S.	"	...	...	...	...	...	...	38,902	39,475	39,908	40,910	40,849	40,937	40,972	41,084	41,174	...
13. " adj. F.R.B.	1935-39=100	107-1	82-2	98-6	102-8	106-4	115-6	114-0	115-4	117-1	120-7	120-1	120-2	120-3	120-6	120-9	...
14. Factory, unadj. F.R.B.	1923-25=100	106-0	66-3	90-9	99-9	107-5	127-7	124-9	127-9	133-3	135-7	135-1	134-7	135-4	136-9	139-1	...
15. " payrolls, unadj. F.R.B.	"	110-4	66-3	78-5	92-2	105-4	148-8	124-1	152-2	152-7	173-5	178-3	182-8	186-6	197-6	194-5	...
17. Average hours, B.L.S.	Number	...	...	...	...	...	...	40-8	41-3	40-3	41-5	42-2	42-5	42-4	42-6	...	...
18. hourly earnings, B.L.S.	Cents	122-5	45-8	63-9	64-4	67-0	73-6	72-6	73-8	74-4	80-1	80-3	80-9	81-9	83-1	...	...
19. Cost of living, F.R.B.	1935-39=100	122-5	97-6	100-8	99-4	100-2	105-2	102-9	104-6	105-3	112-0	112-9	114-3	115-1	116-0	115-9	...
Wholesale prices:—																	
20. Farm products, B.L.S.	1926=100	104-9	48-2	68-5	65-3	67-7	82-4	76-4	82-1	85-8	100-8	101-3	102-8	104-5	104-4	104-4	...
21. Foods, B.L.S.	"	91-9	61-0	73-6	70-4	71-3	82-0	76-4	82-1	85-8	100-8	101-3	102-8	104-5	104-4	104-4	...
22. Other commodities, B.L.S.	"	95-6	70-2	81-7	81-3	83-0	89-0	87-4	88-6	89-7	96-6	96-9	97-2	95-6	95-6	95-6	...
23. Wholesale com. dist. prices, unadj., F.R.B.	"	95-3	64-8	78-6	77-1	78-6	87-3	84-9	87-1	88-8	96-0	96-7	97-6	98-7	98-8	98-4	98
Bank Debts:—																	
24. Total, all reporting centres	Million \$	81,878	...	33,827	35,328	37,155	44,783	43,665	45,942	44,808	48,610	41,550	49,175	46,620	48,324	46,689	...
25. New York City	"	50,257	...	14,065	14,265	14,299	14,810	16,124	17,282	16,288	17,247	14,242	17,056	16,023	16,985	17,394	...
26. Gold stock	"	3,996	3,952	14,512	17,644	21,995	22,737	22,575	22,624	22,675	22,747	22,705	22,687	22,691	22,714	...	...
27. Money in circulation	"	4,476	5,328	6,510	7,171	7,901	9,816	9,357	9,612	9,732	11,175	11,485	11,566	11,566	12,074	...	...
28. Member Bank Res. Balances	"	2,358	2,114	7,535	10,175	13,551	13,551	13,757	13,051	13,751	12,927	12,619	12,575	12,658	12,405	...	...
29. " Excess Reserves	"	...	...	...	...	...	...	5,801	5,210	5,215	5,347	2,361	3,071	2,791	2,486	...	...
30. Capital issues, C.F. Chronicle	"	595	99	196	168	163	236	107	519	296	182	122	104	151	128	...	...
31. 354 Indus. securities, Stand. Statistics	1929=100	100	24-4	52-6	55-5	51	47	45	47	49	43	41	39	38	37	...	...
32. Yield on Govt. bonds	%	3-60	3-66	2-56	2-36	2-21	1-95	1-92	1-91	1-90	2-01	2-09	2-00	1-98	1-97	1-97	...
33. Income payments, adj.	1935-39=100	122-9	70-6	98-5	105-5	113-8	137-0	133-6	137-0	138-9	155-7	156-9	158-6	161-7	162-7	165-4	...
34. Treasury receipts	Million \$	4,032	2,076	5,040	5,595	7,606	...	541	1,277	456	614	937	3,548	732	766	2,494	...
35. " expend., national defence	"	...	...	...	...	...	...	857	832	966	2,101	2,201	2,797	3,231	3,553	3,820	...
36. " " total	"	3,852	4,320	7,692	9,528	12,774	...	1,141	1,528	1,598	2,628	2,629	3,421	3,753	3,953	4,353	...

SAMPLE ANALYSIS OF OPERATING EXPENSES FOR RETAILERS SELLING CLOTH AND APPAREL IN YEAR ENDED JANUARY, 1942
(This Analysis is discussed on page 248)

Description	SIZE GROUPS (BASED ON NET SALES)								ALL GROUPS	
	Up to £5,000	Over £5,000 up to £10,000	Over £10,000 up to £25,000	Over £25,000 up to £50,000	Over £50,000 up to £100,000	Over £100,000 up to £250,000	Over £250,000 up to £500,000	Over £500,000	Un-weighted Average for Sample	Weighted Average (a)
Number of returns	244	161	180	112	81	71	35	32	916	...
Average sales per return	£2,832	£7,260	£15,394	£35,348	£71,144	£155,189	£319,375	£1,145,765	£79,927	...
Number of establishments	248	188	214	156	114	129	77	35	1,161	...
Average sales per establishment	£2,786	£6,217	£12,948	£25,378	£50,549	£85,414	£145,171	£1,047,557	£63,061	£18,306
Total personnel (end of year)	748	1,085	2,604	3,907	5,476	10,432	10,404	31,003	65,659	...
Sales per person	£924	£1,077	£1,064	£1,013	£1,052	£1,056	£1,074	£1,183	£1,115	£1,079
Remuneration per person	£103	£135	£141	£141	£142	£140	£147	£149	£145	£140
PERCENTAGES OF NET SALES										
GROSS MARGIN (excl. discounts)	26.34	26.56	25.95	26.78	27.94	29.29	29.88	28.18	28.37	27.50
Settlement discounts received	1.98	1.88	2.06	2.01	1.87	1.90	1.83	1.57	1.75	1.83
TOTAL GROSS MARGIN	28.82	28.44	28.01	28.79	29.81	31.19	31.71	29.75	30.12	29.53
EXPENSES:										
Remuneration	11.15	12.56	13.28	13.89	13.50	13.29	13.71	12.57	13.02	13.04
Rent charge and rates	4.40	3.30	3.04	3.06	3.02	3.22	3.37	3.36	3.31	3.34
Other occupancy expenses	1.21	1.62	0.95	1.09	1.24	1.45	1.63	1.68	1.53	1.35
War Risks Insurance of stocks	1.21	1.26	1.26	1.33	1.37	1.40	1.31	1.15	1.15	1.21
Commercial insurances	0.54	0.29	0.30	0.35	0.36	0.38	0.36	0.25	0.30	0.31
Miscellaneous expenses	2.63	2.34	2.47	3.09	3.20	3.65	3.96	4.26	3.86	3.41
Depreciation of equipment	0.30	0.26	0.33	0.35	0.46	0.64	0.88	0.81	0.72	0.56
TOTAL EXPENSES (excl. interest)	21.24	21.03	21.63	23.16	23.15	24.13	25.22	23.90	23.89	23.17
Interest on borrowed money	0.23	0.40	0.31	0.72	0.87	1.16	1.10	1.21	1.07	0.85
TOTAL EXPENSES (inc. interest)	21.47	21.43	21.94	23.88	24.02	25.29	26.32	25.11	24.96	24.02
NET SURPLUS	7.35	7.01	6.07	4.91	5.79	5.90	5.39	4.64	5.16	5.51

(a) Calculated by weighting individual size groups of sample according to their proportion in the national trade.

† Free of Income Tax.

(b) Interim 5% less tax. Final 7½% Tax free.

(a) 13 months.

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID-UP) - £3,000,000
RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST
AFFILIATED BANK IN INDIA

THE ALLAHABAD BANK LTD., with 15 Branches & 30 Sub-Agencies

The Bank offers a complete Banking Service and provides exceptional facilities for financing every description of trade with the East.

Deposits for Fixed Periods or repayable at call or at short notice are received at rates which may be ascertained on application.

The Bank also undertakes Trusteeships and Executorships.

Head Office: 38, BISHOPSGATE, LONDON, E.C.2

London: 117/122, LEADENHALL STREET, E.C.3

Branches: 28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

THE UNION BANK OF AUSTRALIA

ESTABLISHED 1857 LIMITED

Capital Authorised and Issued ... £12,000,000
 Paid-up Capital ... £4,000,000
 Reserve Liability of Proprietors ... £8,000,000

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

Reserve Fund ... £3,250,000
 Special Currency Reserve ... £1,600,000

Head Office: 71 CORNHILL, LONDON, E.C.3
 West End Agency: 15 CARLOS PLACE, W.1

Drafts are granted on the Bank's Branches throughout the Australian States and Dominion of New Zealand. Telegraphic Remittances are also made. Commercial and Circular Letters of Credit, and Travellers' cheques issued. Bills are purchased or sent for Collection. Deposits are received for fixed periods on terms which may be ascertained on application.

THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter, 1835)

Paid-up Capital ... £4,500,000
 Reserve Fund ... 1,500,000
 Currency Reserve ... 2,000,000
 Reserve Liability of Proprietors under the Charter ... 4,500,000

£12,500,000

Court of Directors:

D. F. ANDERSON, Esq. HON. GEOFFREY C. GIBBS.

J. F. G. GILLIAT, Esq. EDMUND GODWARD, Esq.

C. G. HAMILTON, Esq.

F. V. C. LIVINGSTONE-LEARMONTH, Esq., D.S.O.

DAVID J. ROBERTS, Esq.

SIR JOHN SANDERSON, K.B.E.

ARTHUR WHITWORTH, Esq.

HEAD OFFICE: 4 Threadneedle Street, London, E.C.2

WEST END BRANCH: 17 Northumberland Avenue, London, W.C.2

Numerous branches throughout the States of VICTORIA, NEW SOUTH WALES, QUEENSLAND, SOUTH AUSTRALIA, WESTERN AUSTRALIA, TASMANIA, and the DOMINION of NEW ZEALAND.

The Bank offers facilities for the transaction of every description of Banking business in Australia and New Zealand. Negotiates or collects Bills, Issues Telegraphic Transfers, Letters of Credit and Drafts, also Circular Credits and Travellers' Cheques available in all parts of the world. Deposits received at interest for fixed periods on terms which may be ascertained on application.

THE ENGLISH, SCOTTISH & AUSTRALIAN BANK, LTD.

Head Office: 5 Gracechurch Street, E.C.3

Subscribed Capital ... £5,000,000

Paid-up Capital ... 3,000,000

Further Liability of Proprietors ... 2,000,000

Reserve Fund ... 1,755,000

Special Currency Reserve ... 1,585,000

Chief Office in Australia:

Collins Street, Melbourne

and many Branches and Agencies throughout Australia.

With its widespread connections, this Bank offers every facility for the conduct of all classes of Banking and Exchange business in Australia.

J. A. CLEZY, London Manager and Secretary.

BANK OF SCOTLAND

Constituted by Act of Parliament 1695

AUTHORISED CAPITAL ... £4,500,000

CAPITAL FULLY PAID ... £2,400,000

RESERVE FUND & BALANCE carried forward ... £2,256,217

DEPOSITS & CREDIT BALANCES

as at 28th Feb. 1942 ... £50,593,844

Head Office: THE MOUND, EDINBURGH

262 Branches and Sub-Branches throughout Scotland.

London Offices:

CITY OFFICE, 30 BISHOPSGATE, E.C.

PICCADILLY CIRCUS BRANCH, 16/18 PICCADILLY, W.

OVER 850
BRANCHES

A complete banking service is offered in every part of Australia, New Zealand and the Pacific Islands by Australia's oldest and largest bank.

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Three Years

WITH this issue, *The Economist* enters its rooth year and World War II its fourth. On Saturday, September 9, 1939, a statement was issued by the War Cabinet:

At their meeting this morning, the War Cabinet decided to base their policy upon the assumption that the war will last for three years or more. Instructions are being issued to all Government Departments to ensure that plans for the future shall at once be prepared on this assumption.

In 1914, Lord Kitchener had called for recruits "for three years or for the duration of the war"; Mr. Chamberlain and his advisers, three years ago, followed suit. It may well be asked what progress has been made, and what achievements registered, by the Three Year Plan. It may even be asked whether the pattern of World War I is not being repeated. Again, the enemy has won almost all the battles for three years. Will he again lose the war in the space of another twelve months? The analogy is tempting.

General Sikorski has expressed what is the hope of many sober people.

The war will not end in 1942 as some believe. It will

be drawn out through a fourth winter. The present period and the beginning of 1943 will be the period of gradual exhaustion for the enemy; it will weaken him in a moral and physical respect. It will prepare the way for the final triumph by increasing and concentrating the forces of the anti-German coalition and by the planning of decisive blows.

Hitler has spoken, almost simultaneously, in the same vein.

If, in this greatest struggle of all times, the German soldier is making sacrifices and undergoing privations that can hardly be imagined, then in this year the homeland is more than ever bound to make the greatest possible sacrifices.

Compared with August 4, 1917, when Lord Kitchener's forecast of three years had been fulfilled, the outlook is not worse, to say the least. Then, Russia was being beaten down in battle and on the verge of collapsing from within. Nivelle's earlier offensive in the West had ended in bloody frustration. Another offensive had been opened with less hope and, as it proved, equal futility. The French army had been rendered scarcely fit to fight by the sacrifices it had made. The United

States was at war but still on a peace footing. Shipping losses had run as high as the losses of this year; and the volume of Allied shipbuilding was vastly smaller. There seemed no way of breaking the impasse; the trench stalemate across France and Flanders seemed an impassable barrier.

Now, at the end of another third year of world war, visibility is better. France fell two years ago, but Russia is still fighting, taking this time an even heavier toll of German life and material than the slaughter of the last war's western front. The United States is on a war footing as well as at war. Britain has reached a stage in war production never touched in 1914-18. In every item of war equipment, the Axis powers are outdistanced by Allied factories. To win his long chain of military triumphs, Hitler brought in the new air weapon; already, it has taken the shape of a boomerang. No one who coldly considers the statistics of British air raids upon Germany will question the Fuehrer's claim that the German homeland is "more than ever bound to make the greatest possible sacrifices." The Anglo-American Second Front is in active preparation; and, to quote General Sikorski once more:

One of the chief factors in winning victory is the enslaved nations. Never before in history has the hatred of invaders been so overwhelming as the hatred of the Germans in the Europe which they have conquered.

1943 may be 1918. But history only repeats itself if men make it do so. The years of the war are not yet measured. In terms of arms and fighting men, the free peoples are better ready to make victory theirs in another year, for all their much greater losses in territory and their wider-flung foes, than they were at the three year mark in World War I. This is no assurance that it will happen; it is not determined. Germany is armed *cap à pied* this time against material shortages or an internal breakdown. There is no shortage of output from Allied factories; but because of the great distances which link the battlefronts, there are still sore shortages, geographically; and, in the recent past, there have been shortages of quality in equipment and of skill in their use.

President Roosevelt put the issue to his people a few days ago:

Today in distant places we are fighting battles the like of which has never before been known . . . to carry such battles to a successful conclusion, the men who fight on land and in the air must work in perfect unison with the men who fight above the sea, on the sea and under the sea.

More than in 1917, the Allies can command the strength for victory. But the problems of deployment and strategy, of transportation and of leadership, behind the lines as well as in the field, remain open, "Unison" is indeed the master-key: unison among all the Allies in their plans and deeds as well as between all arms in every action; and unison among all the parties and all the classes in each United Nation.

The special task of Britain is to be the bridge between Russia's great resistance and the vast fighting power which is being developed in the United States. The enemy's hope is to cut off and cripple the Soviet before the other Allies can strike; and then, by battering the British base and severing the ocean lifelines, to hold off the American menace. He has not yet failed.

There is neither profit nor sense in prophecy. The kind of confidence which pins its faith, alternately, upon calendar prognostication and figures of production is perilous stuff. The end has not yet begun. It is still possible for the enemy to strike tremendous and grievous blows before the true weight of the Allies can be thrown against him. Russia is the pivot of Allied and Axis hopes alike. Whether the position today is better or worse than it was in August, 1917, depends crucially upon whether Russia stands or falls; and Russia is still in great danger. Britain's best aid immediately to Russia and to the logistics of forward strategy is to hold the enemy back from the Middle East and to free the Mediterranean for Allied movement. The clock could be

set back grievously by fresh defeats in Russia or in Egypt.

It is unwise to regard even the solid successes of the Americans and the Australians against the south-eastern tentacle of the Japanese advance in the Pacific as victory already in the making. The aggressor has been bloodily checked in a series of brilliant actions; the first steps on the long road to redress disaster in the Indies may have been taken. But Japan's great contribution to Axis hopes, the spreading of Allied strength over thousands more miles of land and water, still stands. Despite Japan's recent losses and reverses, the danger of a further contribution, in the form of a pounce upon the Soviet rear while the Volga battle is at its crisis or upon India while political murmurs are muffling the Indian war effort, has not been removed.

When war broke out in 1939, a Three-Year Plan was made in Britain which, for all the sloth of its early stages and the patchwork and pasteboard of its final form, has worked miracles. More properly it should be regarded as a Two-Year Plan. The period of sluggishness until May, 1940, was a false start. After the fall of France and the disastrous losses at Dunkirk, a fresh beginning had to be made in the worst conditions of haste and danger. There was at least a decade of unreadiness and stupidity to undo; and disasters went steadily on as the plan grew. But the battle of Britain was won, and the seas kept open. Britain is now virtually fully mobilised for fighting and the manufacture of arms and munitions. Man for man, more war material is being produced than anywhere else in the world. No other country has equalled the fullness and fairness, in relation to available supplies, of British food rations. The programme of curtailment which began with the limitation of supplies of material to civilian manufacturers, and went on, often haltingly and often reluctantly, to the concentration of manufacture, clothes rationing and utility production, has not been rivalled. For a long year, Britain was the lone base and arsenal of freedom. The process has been inveterately piecemeal. The conception of a rounded war economy, binding the entire community in a single wartime association of efficient effort, has never been seen as a whole. But the achievement has been immense.

What is needed now is a supercharger, a One-Year Plan with pace enough to make up for the time lost earlier and vision enough to capture the next twelve months for the Allied cause. Never before has the call for "lucidity and daring" been more imperative. The time has come to remove every inhibition of old-fashioned habit from the planning of campaigns and the fighting of battles; to weld the war measures of Britain and the United States, severally and jointly, into a single project, stripped of national prepossessions or social compromises. A combined command of all arms and all Allies is needed in every theatre, and a single strategy. Behind the fronts the only yardstick should be swift efficiency. It is a remarkable commentary on the false peace which Russian resistance has given the leaders and citizens of the other Allied countries that neither Britain nor the United States should have been able to work out a policy for wages against inflation and inequity; that the British Civil Service and its best servants should be hobbled by old ways and routine; that politics, openly in the United States and by tacit agreement in Britain, should still be based upon the ancient push-and-pull of interests; that the cumbersome and stratified organisation of the American war effort should seem beyond simplification; and that Allied technicians should still seem to lag behind Germany in the economy of scarce resources.

Wartime journalism is a dangerous trade. Necessarily, it is carried on by civilians no closer to war facts or war experience than other civilians. Inevitably, it is the product of the arm-chair, remote from the noise of battle. It is a fortunate and humble writer who can refrain from laying down the law. But, after three years, this much can be said by any journalist who knows his trade and his neighbours, as well as his own limitations in matters of high policy: the war can now be won by the Allies,

but it can only be won on two conditions. The first condition is that the problem of the swift and sure deployment of forces can be solved in time. The second is that the brakes are taken off the restless ingenuity and will to win which surge steadily beneath the strained, anxious, frustrated surface of wartime life and work. Tradition has been strong in this war so far. Never once, except in Russia, have the bounds of respectability and decorum been overstepped, even in aid of salvation and victory. The pledge of May, 1940, to take over all persons and all property in this country for the prosecution of the war was vastly more drastic in sound than in consequence. Now, the hour has struck for an order

of the day to sweep all this away, wherever needful, and for every citizen in Britain and the United States, like every man, woman and child in, say, the Russian battle areas, to be given the duty and privilege of working for no other aim but the winning of this war. If for a year all the committees, all the bargains, all the checks and balances and all the safeguards for peacetime place and prospects could be set aside; if it could be made plain that every citizen is a soldier with no more than the soldier's right to care and maintenance and no less than the soldier's duty to sacrifice everything for his country: then there would be a One-Year Plan indeed, and 1943 might well be 1918 again.

The First of the Free

ALMOST exactly three years ago, the whole military might of the Third Reich was thrown against Poland. In the words of Mr Eden's message on Tuesday to the Polish Ambassador,

It was her fate and her privilege to be the first among the nations of Europe to accept the German challenge.

On the German side, there were some sixty divisions of infantry, eight motorised divisions and seven Panzer divisions; they were supported by 3,500 planes. On the Polish side there were thirty divisions of poorly armed infantry, eleven brigades of out-moded cavalry, two small motorised brigades and 300 light tanks; no more than four hundred obsolete aircraft were available. The fact that Poland dared to take up Hitler's challenge in face of such overwhelming odds will for ever remain an outstanding instance of courage and resolution.

It is sometimes said that this daring was due to the proverbial romanticism of the Polish people. After three years of war, this "romantic" spirit appears much more soberly realistic than the outlook of the nations which stood passive and Maginot-minded during the first stages of the fight. Only a nation which knew its very existence to be at stake and could draw upon immense moral resources of its own could afford anything like the "Polish folly" of 1939. There was, admittedly, no lack of inefficiency and political blindness in the ruling cliques of Smigly Rydz and Beck. Had the issue depended upon these politicians and commanders, the campaign might have lasted three days instead of three weeks. The stubbornness of Polish resistance was due to the sense of a holy war which took hold of the entire nation.

The holy war has never stopped. The purpose of German policy in Poland has been to absorb or to destroy

the Polish people. Economically, Poland was first given the rôle of an agricultural hinterland for industrial Germany. Militarily, after the outbreak of war in Russia, Poland became the vital corridor between East and West. Poland is Germany's eastern outpost; and its subjection to the economic and military needs of total war has been carried through with all the brutality of primitive tribal strife, made worse by the employment of the most efficient modern technique.

The exploitation of Poland by Germany is most sharply seen in the numbers of Poles taken as slaves to work in Germany. In addition to 750,000 Polish prisoners of war, more than one million Poles have been forced to work in German industry or agriculture. Nor is slave labour a mere phrase in this context. No labour exchanges have drafted these Polish hands; there has been no exchange of workers for prisoners of war. All that happens is that the streets of Warsaw and other Polish towns are swept by press gangs.

At first, the open aim was to de-industrialise Poland. Later, the requirements of war compelled the Germans to make full use of Poland's industrial capacity. The main aim then was to integrate the coal and iron industries of South-Western Poland with the resources of both parts, German and Polish, of Upper Silesia into a vast combine. But the development of Great Upper Silesia has been hampered by the disproportion between the manufacturing capacity of its metal industries and the supply of raw materials. A substantial increase in coal output seems to have been secured; but the target figure of 100 million tons of coal annually from the whole area, half of which was to come from Polish mines, has not been reached. The region is poor in iron ore. Out of 84 Silesian rolling mills, about half are said to be redundant. Even so, this



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amalgamation of German, Polish and Czech industries is a factor which will influence the economy of the entire region after the war. It is comparable only to the integration of the complex of Ruhr industries with the annexed industries of the West.

The infiltration of German capital into Polish industry in support of these industrial plans has been perhaps the most brutal chapter of all in modern economic *Raubrittere*. In Western Europe, the Germans still preserve some law-like financial manners in securing controlling shares in key industrial concerns. In Poland, these standards were discarded altogether. French shareholders in Silesian businesses have merely been "induced" to sell their shares; Polish owners have in most cases simply been expropriated.

Attempts have been made to prop German rule in Poland by creating vested interests in the occupation among certain sections of the population. Success has been negligible. One way was the aryanisation of industry and trade, to throw Jew and Pole into rivalry. Economic competition between Jew and non-Jew has always been strong in Poland; it provided the basis for political anti-Semitism among the Polish middle class. But the German attempt to play the anti-Jewish card has been defeated here, as in many other cases, by the excessive greed of the Germans themselves. Mostly, it was not the Pole but the German settler who stepped into the shop or office of the expropriated Jew. Nor was the attempt to bind the peasantry to German rule by economic links more successful. As in all Eastern European countries, the peasantry in Poland was exhausted and impoverished before the war by the protracted slump in agricultural prices and by high taxation. The war opened up wider markets for farm products. At the outset of the occupation, the peasants must have felt some relief; a gulf threatened

to open between town and countryside in Poland. But the peasants' rewards turned to ashes; their illusory nature became evident. The increase in peasant incomes was brought to nothing by monetary inflation. Massive requisitions of produce and the confiscation of land drove the peasants to despair. A special concentration camp was set up exclusively for Polish peasants who offended against the decrees dictating deliveries of foodstuffs to their German masters.

The Poles can say with pride, after three years of occupation, that their country has produced no quislings. This and all the rest of Poland's contribution to the fight since the "folly" of 1939 entitle the Polish people to expect that the position of their country when the war is over will be better than it was before. All the political documents of underground Poland, where relentless resistance is carried on, stress two main foundations for the post-war settlement—full employment and national security. Poland will end this war more ruined and impoverished than any other European country. Twice it has been ravaged, first in September, 1939, and then in June, 1941. Who knows when Polish soil may become a battlefield again? Vast efforts in work and planning will be needed to enable the Poles to rebuild their houses and to attain a tolerable standard of living. This will not be possible without substantial help from the other United Nations. The problem of security will be no less difficult. For Poland, more perhaps than for any other country, security is not compatible with the existence of spheres of influence allocated to stronger neighbours; but it is no more compatible with national seclusion or undue nationalism. Only a wide and coherent framework of international organisation can point the way out for Poland from the maze of difficulties which will make up post-war Europe.

Reward of Service

THERE are perhaps some four to five million men in the Armed Forces. All of them are under discipline; most of them are conscripts; the majority of them have the inescapable duty to risk their lives for their country. The complaint that these men are underpaid compared with civilians, in terms both of pocket money for themselves and of material security for their families, has grown as the war has lengthened. From the start of the war, there was obvious irony in the situation which called upon the men in the Forces to fight and die for perhaps as little as 2s. 6d. a day, with their dependants almost certainly worse off than before the war, while industrial workers and salary earners retained the right to bargain for higher remuneration. But, in the first year of the war, the earnings of munition workers had not yet been swollen by the general working of overtime or by general increase in wage rates. Moreover, the British army in France, fighting beside French soldiers with their sou a day, felt comparatively well off. Since then, however, the inability of British fighting men to keep pace with the spending of Dominion and now American troops or even to match the spending money of girl munition workers has thrown the discrepancy into relief. For some time this question has been a major political issue. It is about to come to a head in a Commons debate.

There has been some tinkering. Improvements have been made in allowances for Service families. A small increment in basic pay has been granted. Extra remuneration for trade skill and proficiency has been extended. Indeed, there are almost as many rates of pay in the Forces as in industry; and the average pay and allowances of non-commissioned men in all grades would compare more favourably with a cross-section of industry than the minimum rates. Nevertheless, the conviction remains that those who risk most are paid least. Only relatively few actual combatants are Service tradesmen. The acid test is the status of the Army private or his equivalent in the other Services.

The Government's intentions are not known; but they can perhaps be guessed. The tenor of the White Paper on Pay and Allowances is to prove that the members of the Armed Forces are better off than public opinion credits. In narrow terms of statistics, this contention is probably correct. As the White Paper points out, it is not possible to make more than a rough comparison between the entirely different systems of remuneration in Service and civilian life. The soldier is "all found" by the state and paid pocket money; the civilian has to fend for himself on a larger money income. To compare the pay of one with the wages of the other is misleading. If comparison is to be made in money terms, a figure must be added to the soldier's pay for his board and lodging.

The White Paper is an attempt to make this calculation. The basis of its arithmetic is not the actual money value of the food, clothing, shelter, and so forth which the War Office provides. Instead, an attempt is made to assess the civilian expenses from which the average soldier is freed by the board and lodging which he is given—a sum which is highest for unmarried men without dependants. The married man is not freed from the expenses of a home; he is saved the cost of his own clothing, food and travelling expenses, but not his rent and other overheads. It is for this reason that, in the official calculation, a higher sum is added to the cash earnings of bachelors without dependants than to those of married men with families, to arrive at an estimate of the total value in money terms of receipts in cash and kind. In so far as this kind of statistical calculation is relevant, there is no doubt that it is the right working basis.

The actual increments which, the White Paper suggests, cover civilian expenses escaped by these receipts in kind are 35s. for bachelors without homes to keep up and between 23s. and 25s. for men with family responsibilities. Thus, the "notional" income of the unmarried man becomes 52s. 6d. a week, made up of 14s. basic

pay, 3s. 6d. war pay and 35s. received in kind. The married man with no children is estimated to receive an income of £3 2s. a week, made up of 17s. 6d. pay, 18s. marriage allowance and 23s. receipts in kind; and this minimum income is computed to rise to £3 17s. if there are two children and by 5s. for each additional child. A glance at current earnings in industry, assuming for the moment that these calculations for Service benefits are correct, shows a wide gap. The average industrial earnings of men over 21 last July were £5 6s. 5d. over the whole range of industry; they were highest in the war trades, the metal industries, engineering and shipbuilding, with an average of £5 11s. 5d., and ranged around £4 or more in the lowest paid sections. This comparison, however, though illuminating, is not exact. The income of the lowest paid soldier, however computed, cannot fairly be contrasted with the average earnings in any industry, which include the highest as well as the lowest paid of workers. The Army average is not known; but, inevitably, it must be nearer to the industrial figure than the Army minima—as calculated on the basis of the White Paper's reckoning.

But are the calculations of the White Paper reasonable? It is hard to escape the conclusion that the "notional" Service income they arrive at is exaggerated. The crucial figures are the estimates of 35s. and 23s., respectively, as the value of receipts in kind enjoyed by bachelors and family men. Whether the soldier is a lance-corporal, a Class A tradesman or a private with three years' service and proficiency pay, the value put upon his board and lodging determine, statistically, whether he is underpaid or overpaid in relation to an equivalent grade of civilian. The difficulty about the two White Paper figures is that they cannot both be right. The estimate of 35s. for the unmarried man without dependants is held to cover all benefits not received in cash, that is, food, clothing, shelter, heating and lighting, medical attention, free travel warrants, daily expenses from which the soldier is free, and so on. The married man's receipts in kind, computed at 23s., presumably exclude from this list all of his civilian expenses which cannot be avoided, such as rent, heat, light, possibly life insurance and domestic help. The difference between 35s. and 23s. is 12s. This means that rent, heat, light and the rest are apparently estimated at as little as 12s. a week, which is absurd; the married man would be fortunate if his rent alone came to as little as this. It seems certain that the difference between the value of receipts in kind to the single man and to the married man has been under-estimated.

The figure of 35s. for the single man is probably too high. It is based on the Government hostel charge of 27s. 6d. for partial board and lodging, with an addition of 7s. 6d. for food, clothing and other costs. But many unmarried men without dependants live neither in hostels nor in lodgings, but as part of households, possibly those of their parents. To the upkeep of these households, they do contribute; but they are unlikely to pay more than their actual share of the cost. A clue to the actual size of the weekly housekeeping contributions made by unmarried men is provided by a Survey of Working Class Budgets which was made by the Ministry of Labour in 1937 and 1938, on the basis of an average household containing 3.77 persons. The weekly "board and lodging" expenditure of the average household, divided by 3.77, discloses an individual weekly cost of 16s. 2d. If 7s. 6d., the estimated cost of additional expenditure on clothing, food and travel, is added to this figure, the total is 23s. 8d.—which means that the average expenses of an unmarried member of a working-class household, even allowing for the increase in prices since 1938, should be well below the figure of 35s. used in the White Paper. The value of receipts in kind for the married soldier, that is, the value of the smaller proportion of his civilian expenses of which he is relieved, can hardly be less than 15s. below their value for the unmarried man. If the average for the unmarried man, to allow for increased prices and miscellaneous items, is raised to 27s. 6d., this would reduce the value of receipts in kind to married men from 23s., the White Paper figure, to 12s. 6d.—which is again borne

out by the survey of working class budgets which suggests a figure of 11s. 6d. for expenditure on food and clothing when the man is living as part of a household.

The inference of this very rough and ready reckoning is that, although the authors of the White Paper may have gone about their statistical task in the right way, the value they have placed on the soldiers' receipts in kind is definitely too high. This means that the disparity between the incomes of soldiers and civilians, while perhaps not so great as is generally supposed, is considerably larger than the White Paper would suggest. Where soldiers have large families, the payment of family allowances, which is absent in civilian methods of remuneration, does progressively reduce the disparity as the size of the family increases. But, in the case of the private who draws only basic pay, the gap is very wide. Traditionally, Service rates of pay have been based on an attempt to equate the gross receipts of soldiers with those of agricultural labourers—a revealing commentary on the status of fighting men. The minimum wage for agricultural labourers now is 60s. a week; even the War Office estimate of total receipts by unmarried privates, which is almost certainly too high for the average case, because of the exaggerated value given to receipts in kind, is only 52s. 6d. If the intention of the White Paper was to prove that, by and large, all is well, it has signally failed.

The gap exists. Moreover, whatever statistical niceties are argued on this or that side of the controversy, the question cannot surely be settled in this way. The fighting man, very naturally, is not interested in "notional" and academic figures. He is interested only in two things: first, in the cash he has to spend; secondly, in the standard of living of his family. The basic pay of a private is 17s. 6d. a week, reduced in the case of a married man to 14s. by the deduction of an allotment towards his wife's allowance. The spending power of civilians, that is, the margin left after household expenses have been met, is indeed reduced by taxation and saving and in other ways; but it can very rarely fall as low as 14s. a week on drinks, tobacco, entertainment, postage, and so on. No precise statistical yardstick can be found; but, when the arithmetic has been done, however ill or well, the public's feeling that, all in all, the soldier, and particularly the soldier's family, is worse off, still seems soundly based. The disadvantages of the soldier's life compared with the civilian's—the discipline, the absence from home, the discomfort and the danger—cannot be calculated away. In wartime, the nation is divided, half bond and half free. It is admittedly impossible to compensate the soldier in full for these disadvantages; but there should be no rest to efforts to improve the soldier's lot until the soldier and his family can be reckoned, not merely as well off as civilians, but better off.

As the war spreads into its decisive stages and casualties mount, the sore will fester. Millions of men will have an account to render when they come home—they or their bereaved families. The Government should tear up its apologia and use its imagination. It should cease at once and for all to regard its responsibility to serving men and their families as being the simple removal of hardship. Equality in wartime either of sacrifice or of remuneration is not possible. But less inequality is always possible—and urgent. Much has been done by rationing and taxation to spread civilian consumption more equally; the real rewards of civilian service have been steadily curtailed. But the time has come to face the fact squarely that, in money terms, civilian rewards are too high and service rewards too low.

What is wanted is a three point plan: to raise the spending money of the lowest paid fighting man to, say, £1 a week; to raise the money incomes of soldiers' families nearer to the level of their civilian neighbours; and, at the root of the problem, to put an end at last to the upsurge in civilian earnings from wages and salaries which is economically perilous no less than socially. The ground would then be stronger for requesting more restraint upon the spending power of visiting troops while in this country; and, more important, both social justice and war economy would be better served.

NOTES OF THE WEEK

Action in Africa

Whether the Battle of Egypt has, in fact, restarted, and, if so, how the battle is going, is, at the moment of writing, wrapped in some mystery. The enemy has probed the Allied lines in full strength. In one sector in the south, his forces have pushed forward some miles through the minefields, and in this area, between Hemeimat and the Ruweisat Ridge, at least one large-scale tank engagement took place on Tuesday. But the action was apparently broken off. The crucial clash of armour has not developed; and General Montgomery has stated that the enemy has not penetrated the Eighth Army's organised defence areas anywhere. The uncertainty about what is going on is due in great measure to the fact that, after the bitter lessons of former campaigns, when comments and forecasts went badly awry, Cairo's lips are almost completely sealed. But, from the scale of the air and artillery activity which has been reported, it seems likely that this crucial battle has been joined again; and it may be that this time a simultaneous thrust may come from Crete and the Balkans to support Rommel's attempt to unlock the Middle East for the Axis, at the moment when von Bock's armies have reached the Caucasus in the north. For all the Allies, the defence of Egypt, Palestine and Syria is vital; and, if Rommel could be driven back and air and sea power be restored in the middle Mediterranean, it would be a major victory.

The Air Weapon

It is suggested in an earlier article in this issue (on page 289) that the air weapon, first used decisively by the enemy, is proving a boomerang. Whether in fact the engineer will be hoist with his own petard has still to be seen. But obviously he can be. The output of aircraft from Allied factories, this year and next, is a measure of the decisive part which air power can play in the final stages of the war, if it is properly used. The question whether air power can be decisive as an independent arm need not be debated. Only the event will tell; and whatever the answer, the bombing offensive against German Europe is an integral part of a combined offensive in all elements, whether that offensive ends in the occupation of Germany or in its collapse among its own ruins. The real root of the controversy between those who oppose air power to land or sea power, and vice versa, is the problem of allocating scarce resources and limited manufacturing capacity. If the building of big bombers precludes the construction of aircraft to work with military or naval forces or the construction of transport planes, a wholly unjustifiable distortion results. Without their decisive air component, land and sea forces are wasted. This has been proved time and again in the past three years. To take the chance of leaving the great armies, navies and merchant fleets of the United Nations stripped of their essential air arm and air artillery, for the problematical possibility of winning by bombing alone, would be suicidal. The fact that large Allied resources are in part immobilised for lack of air carriers is one of the most serious gaps in Allied strategy. There are welcome signs that these pitfalls are at last to be avoided—shadowy signs of a real three-Service mind in strategy and output as well as in single tactical operations. Here, as in every other department of the united war effort, the need is for the combined use of every weapon regardless of sectional controversy. It can be admitted that air power, whatever course the war takes, will, in one sense or another, be decisive. But this does not mean that the decision will be registered by air power alone. It means rather that air power is the decisive factor in every operation on land or on the water, as well as in the air. Nothing has happened in the war so far to suggest that the work of invading and reducing enemy territories, in Europe or in the Far East, will not be needed, with all the paraphernalia of naval and military might. The air bombardment of Germany, when weather allows it, has now reached a pitch where the damage done, in its effects on morale and output, is in a different category from the bombardment of Britain two years ago. It is an essential part of the process of enfeebling the enemy. But it is still the preliminary barrage, the prelude to the assault. The armies which follow must still have their air weapons,

singly commanded, just as the United States Navy could not have held and thrown back the Japanese in the Pacific Islands without its air arm, brilliantly handled.

The Battle of Russia

The Russian resistance at Stalingrad is still tenacious, although the southern arm of the German pincer movement, from the Kotelnikovo area of the Don bend, is making dangerous progress. The position to the north-east in the Kletskaya region has also deteriorated, the Germans claiming to have reached the Volga north of the city. Soviet troops in the Caucasus are holding their ground before Grosny, and have prevented enemy attempts to cross the river Terek south-east of Prokladnaya; but the Germans on Tuesday claimed the capture of the Black Sea port of Anape. Near Rzhev, the counteroffensive launched by General Zhukov, now promoted to be Stalin's first deputy as Commissar for Defence, has met with considerable success. The initial attack resulted in a swift local victory for the Russians, largely owing to the element of surprise successfully employed—the use of a feint zero hour which deceived the Germans. It is too early yet to say how far this offensive will succeed in directly diverting German resources from the attack on Stalingrad, but almost certainly it must divert some reinforcements which would otherwise go to the southern front. The Russian advance in terms of territory has been relatively slight, but in terms of cost to the enemy it has been significant. The ferocity of the fighting in the central sector, described by press correspondents who have visited the front, can be judged from the fact that, in a fortnight, the Red Army is reported to have smashed eight German divisions, including the second Panzer division, and badly mauled six others, including the first and fourth Panzer divisions. The object of the Russian fighting, whether in offence, defence or retreat, is to make the enemy pay, and to compensate for any inferiority in their own supplies by wearing down his manpower. To kill Germans is the order of the day. Thus Mikhailov, Secretary of the Central Committee of the Young Communist League, told young Red Army men:

There is only one criterion of a young soldier's devotion to his fatherland—"tell me how many Germans you have killed and you will be told whether you are a real patriot or not." That man today is of the greatest value to his people who kills Germans day in, day out. . . . Remember that if you have not killed the enemy, no one will kill him for you.

Setback for Japan

A communiqué issued on August 27th by the United States Navy Department revealed an Allied naval victory off the Solomon Islands with the brief announcement that the Japanese surface forces had withdrawn. The details of the action are still awaited. There is no more news than there was a week ago of the damage inflicted on either side. All that is clear is that the Japanese totally failed to achieve their object of regaining control of the Solomon Islands, five of which are completely, and one—Florida Island—partially, dominated by the Americans. Meanwhile, the enemy landing at Milne Bay in New Guinea, in an attempt to turn the right flank of the Allied forces defending Port Moresby, has also completely failed. The Japanese in this area have now reverted to their former tactics and are attempting, with some vigour, to push forward from Kokoda in order to gain possession of the tracks leading across the Owen Stanley Ridge. The Japanese are still fighting hard and menacingly in spite of their sharp reverses; but the setbacks appear to have caused some indecision in Tokyo regarding the course of higher strategy. The resignation of Shigenori Togo, the Foreign Minister, and last civilian in the Japanese cabinet, may well be symptomatic of a divergence of view on the problem of Russo-Japanese relations. Clearly, the threat to Japanese expansion to the east, which the recent Allied successes have provided, makes more hazardous the opening of a fresh major offensive on the west.

Chinese Successes

The Chinese have won a series of important victories in the provinces of Chekiang and Kiangsi. In the course of the six weeks' counter-attack since July 13th, the Japanese have been driven out of the greater part of the territory which they had captured in the course of an arduous and costly campaign, now more than three months old. The most important successes are the recapture of a considerable stretch of the Hangchow-Nanchang railway and of the air bases of Chuhsien on the railway and Wenchow on the coast. And the Chinese are still pressing home their attacks in an attempt to retake Nanchang on the east, one of the termini of the east-west railway, and Kinkwa on the west. The campaign for Kinkwa is regarded as important, since it will provide a buffer territory between the Japanese and the recaptured air bases. The frustration of Japanese progress in Chekiang and Kiangsi is the more important because an enemy success would certainly have been the prelude to an attempt to gain control of the whole of the Hankow-Canton, north-south, line—a vital link in the grandiose Japanese project for completing a Shanghai-Singapore railway. The Chinese successes have been notably assisted by the support of the United States Army Air force. The arrival in China of a RAF unit implies that Allied air support for the armies of General Chiang Kai-shek will be substantially increased in the future. The Chinese have abundantly proved how much they can achieve with how little assistance. Their prowess has placed a heavy obligation upon the Allies; it has also provided opportunities for striking where Japan is weakest. As General Stilwell has pointed out, the signs that the Japanese are preparing for a defensive war in China may herald a fresh offensive elsewhere. The Allied victory in the Solomons and the Russian offensive on the Moscow front may have reduced enthusiasm in Tokyo for a Siberian campaign. But the danger of an attack on Russia is not yet past. The Allies must continue to press the initiative which the Chinese have regained. The possession of the Chekiang air bases will eventually make possible severe raids against the Japanese mainland, and, even before it is possible to mount a full-scale air offensive in the Far East, they will enable serious damage to be inflicted on Japanese shipping. The limiting factor is the rate at which Allied air units can arrive on Chinese soil.

Labour at the Crossroads

The report of the General Council of the Trades Union Congress deals with a wide variety of subjects, but seems to slide over too many of the questions which are causing concern throughout the Labour movement, as the war enters its fourth year. What has been the effective rôle of Labour in the coalition? What has been its influence in shaping policy? Has it not been too content to be the Jorkins of the partnership? These are the live issues. Labour, it is argued, had all the cards in its hand when it joined the Churchill Government in May, 1940; its leaders held the key social and economic positions in the Administration. But in the two years that have elapsed, there has been little evidence that it has wielded its influence in the direction of securing a unified economic policy, a plan for winning the war and winning the peace. Certainly no such plan has been made evident, from any quarter. Labour has not even succeeded in revoking the much-hated Trades Disputes Act, imposed by the Baldwin Government in 1927. Labour, it is alleged, has been subjected to one-sided compulsion, while the captains of industry, who man the Ministries and Controls, are more securely entrenched than ever—the Restoration of Prewar Practices Act, which applies to Labour and to no other interest, is conveniently forgotten in this argument. As an example of Labour's acquiescence may be cited the fact that the Central Joint Advisory Committee of the Production Executive met on five occasions only; nor has the Ministry of Production, which was welcomed by the General Council as a means of "avoiding the enormous waste in man-power and materials which has taken place through interdepartmental competition and overcentralisation," been vested with sufficient powers to achieve real co-ordination of effort. The value, on the other side, of the unique political peace which has prevailed is seldom recognised. It is the *quid pro quo* that is missed—and the chances to make a better and fairer Britain which have been ignored.

The dissatisfaction with this state of things and the sense of urgency felt by many of the unions are expressed in a number of resolutions submitted for the 74th meeting of

the TUC next week. No union has tabled a resolution about the illegal and needless strikes which, though organised by small, uncontrolled minorities, do so much undeserved harm to the Labour movement as a whole. But the Amalgamated Engineering Union makes the inevitable call for a Second Front, and, generously, pledges its members to full production. Rather more pertinently, the National Union of Railwaymen calls upon the General Council to report on the structure of affiliated unions with a view to such alterations as would render them more effective in achieving progress "both now and in a visualised Socialist Economy," a resolution which is opposed by the more conservative General and Municipal Workers Union, which would stand to lose by the substitution of sectional organisation by industrial unionism. The Construction Engineering Union observes that the Essential Work Orders are being used one-sidedly to control workpeople only, and urges the Government to take over essential war industries. These and similar resolutions run counter to the General Council's policy and may cause embarrassment. There are many other thorny issues—some of them hardy perennials—such as the repeal of the Trades Disputes Act, and the withdrawal of Circular 16, the anti-Communist Circular. The lifting of the ban on the *Daily Worker* has saved the Council from facing a defeat on this issue. But the General Council has forged a weapon for hamstringing opposition. It asks for powers to make such alterations in Standing Orders between Congress meetings as it deems necessary, such alterations to be binding until over-ruled—note the use of the word *over-ruled* and not *confirmed*—by the next Congress. Far too little attention has been paid by the press to the full import of this resolution. The Standing Orders are to trade unionists what the United States Constitution is to Americans, and the resolution, if carried, would mean the weakening of the democratic basis of the movement.

Foresight

Considerable attention is to be paid at next week's meeting of the TUC to questions of post-war reconstruction. A constructive memorandum on education has been put forward and the General Council proposes an inclusive scheme for social security. This would cover all contingencies, including death, with a flat rate of benefit of £2 per week, plus dependants' allowances; a scheme for re-training and moving unemployed workers is suggested; the establishment of a single Social Security Ministry and of a national medical service is envisaged. So far so good. But it is strange, in this company, to find a recommendation that old age pensions should be conditional on retirement from work, and financial proposals which recommend, instead of a non-contributory scheme, a flat tax on wages to cover 25 per cent of the cost, with a further 25 per cent to be met by a tax on employment, which is perhaps hard to reconcile with an objective of maximising employment after the war. Many other problems have to be thrashed out, both national and international—of which not the least important is that of the relations with the American Federation of Labour,

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whose vice-president is attending as a fraternal delegate. The trade unions have become a state institution during the war, which is the real reason for the caution of Labour men in wartime office that has so much disquieted so many of their followers; and what they say, or do not say, about the future will be important for the whole community.

Deputy for Mr. Casey

Another result of Mr Churchill's visit to the Middle East is Lord Moyne's appointment as Deputy Minister of State—with Cabinet rank, but not as member of the War Cabinet—to assist Mr R. G. Casey in Cairo. The appointment also emphasises the enormous amount of work which has accrued to the office of Minister of State in recent months. Although a separate command has now been established in Persia, the jurisdiction of Mr Casey presumably still extends there as well as to Palestine, Iraq, the Sudan, and Egypt itself. Moreover, although it stops short of East Africa, those territories come within his sphere of influence since, as Sir Henry Monck-Mason Moore, Governor of Kenya, pointed out last week, they are all, but especially Kenya, going all out to produce food and other supplies for the Middle East. To a very large extent the work of the Minister of State must be concerned with supplies and transport, and Lord Moyne's experience as Colonial Secretary, which brought him into close contact with conditions in Palestine and East Africa, will be an invaluable asset to Mr Casey. With Lord Swinton, whose jurisdiction reaches to Lake Chad, in West Africa, and Mr Casey and Lord Moyne in the Middle East, the British Government is now directly represented in the vast territory which stretches almost continuously from Freetown in the west to the Caspian and Afghanistan in the east.

Reprieve and Recrimination

Of the six young members of the IRA sentenced to die in Belfast on September 2nd five were reprieved. Of these, four received life sentences and one a sentence of fifteen years' penal servitude. The execution of the sixth provoked demonstrations in the north and south, while in Belfast and London the police took effective preventive measures. Despite the emotional sympathy, it is very doubtful whether IRA propaganda to the effect that the execution of all six of the condemned men would have been preferable to discrimination between them commands much support in Eire or even among the Roman Catholic minority in the Six Counties. It is axiomatic that there can be no coming to terms with the IRA, nor is any question involved of buying off recrimination by concessions. Meanwhile, the circulation of the "special manifesto" of the IRA Army Council in Belfast last Sunday and the subsequent discovery of two arms dumps near Hannahstown has placed the question in a somewhat sinister light. The avowed intention to evict the British and American forces from Northern Ireland must, however, sound more encouraging in German ears than it sounds convincing to the Allies. But, whatever happens, it remains desperately important that the British and the Irish should continue to recognise the modern IRA for what they are—a quisling sect prepared to exploit minority grievances in the interest of a foreign power. Deriving their strength from the adherence of a few single-minded, if misguided, patriots, they derive their weakness from the general recognition that their success would imperil the future independence of Eire for a very long time to come.

Miners' Bonus

The recommendations of the board set up early in June under the chairmanship of Lord Greene, to investigate wages in the coal-mining industry, fell into two parts. First, they provided for an immediate increase in wages in order to reduce the disparity between the earnings of coal miners and munition workers. A national minimum wage of 83s. per week for workers below ground, and of 78s. per week for other workers aged 21 years and over, plus a flat rate increase of 2s. 6d. per shift for underground workers of 18 years and over, and for other workers aged 21 and over, came into force on June 1st. Secondly, the Greene award provided for a bonus scheme designed to give an incentive to increased output. After discussions between miners, employers and the Govern-

ment, agreement has been reached on the details of the scheme, which is expected to come into operation on September 6th. While the scheme embodies the principles of the Greene proposal—described in *The Economist* on August 1st—there are important differences in detail. Whereas the individual pit was to be the basis of the bonus scheme in the Greene proposal, the scheme now adopted is based on the district as the administrative unit. Both plans provided for bonuses in respect of output in excess of a standard, but while the Greene scale expressed them as a proposition of earnings, in the plan actually adopted, they are to be calculated on a shift basis. As the district standards have been calculated on the basis of output in recent months, it should not be too difficult to exceed them; special provision is made to ensure that workers are not penalised by "abnormal interruption of production through causes outside the control of the workers." The bonus is at the rate of 3d. per shift for every 1 per cent by which output exceeds the standard, with a maximum of 3s. 9d. per shift. Underground workers will receive the full bonus from the age of 18, and other workers from the age of 21. The bonus scheme is necessarily experimental and subject to review. It has been welcomed by the miners' leaders. Mr W. Lawther, president of the Mineworkers' Federation, pointed out last Sunday that it would be the concern of the district controllers and the pit production committees. Within a few hours after each shift, the miners will know whether they have reached their target. Delays in production will be investigated by the committees, but cases of absenteeism will in future be dealt with by the officers of the Ministry of Labour, a welcome change in procedure. It is to be hoped that the scheme will be worked as a genuine bonus scheme, yielding additional income for additional output, and that its object will not be defeated, as in the case of the attendance bonus, by subsequent adjustments.

Agent Provocateur

The public will welcome Lord Woolton's assurance that Ministry of Food inspectors have clear instructions not to incite shopkeepers to break the law when they are making test purchases. But it will not be convinced that these instructions are obeyed, unless full investigations are made into the very circumstantial stories that are going round about the methods used by inspectors both of the Ministry of Food and the Board of Trade. A particularly bad example was related by Mr Harold Nicolson in the *Spectator*. A man, the story went, asked a village shopkeeper in Devon if he could sell him a new pair of socks and shoes, stressing the dangers he ran if he sat in a train with wet feet on his journey home. The shopkeeper asked him if he had the right coupons, whereupon the customer confessed he had left his card at home, but he would leave his name and address and post the coupons immediately he got back. Clearly, if he had been an honest man and his story a true one, public opinion, though perhaps wrongly, would have upbraided the shopkeeper if he had refused to sell the socks and shoes and condoned his action if he had agreed. But the customer, if the story is to be believed, was a dishonest man, an impostor and a spy, and public opinion very rightly denounces him and supports the shopkeeper who believed his tale, allowed him the socks, and was then prosecuted and fined. It may be that he was suspected with good reason of frequently selling things off the ration, and evidence, in the case of a small village concern, must be difficult to obtain. Nevertheless, even if it is necessary for the Departments concerned to employ a special staff to track offences, instead of relying on the police, they can at least observe police rules. The position of the police force in this country would be quite intolerable if its members were to impersonate thirsty travellers and try to persuade landlords to sell them drinks after hours, because there was no evidence on which to obtain a conviction for offences suspected in the past. The ordinary processes of British justice have had to be severely modified in wartime, but not to the extent that confidence tricksters and other impostors on the guileless must be taken into the service of the state. The public would be far happier if the authorities would see that the energies of their inspectors were devoted to black market racketeers instead of inventing dishonest tricks to catch small offenders.

War Potential

Mr Richard Stone's analysis of the national income, output and expenditure of the United States in the current

issue of the *Economic Journal* and the White Paper on the sources of British war finance issued last April provide the raw materials for a comparison of the economic war effort and potential of the two countries. The main features emerging from such a comparison are set out in an article on page 299. One of the most striking differences between the two countries is the reserve of productive power which was available to them before wartime industrial mobilisation—a point which is underlined by Mr Kaldor's estimates of the real sources of war finance, also published in the current issue of the *Economic Journal*. Between 1938 and 1941, Britain was able to increase its output by 12½ per cent; the United States, as Mr Stone shows, achieved an increase of 23-29 per cent in production between 1939 and 1941. In broad agreement with the estimates made in *The Economist* on January 3, 1942, Mr Kaldor has computed that, in 1941, about a quarter of the increase in Government expenditure since the outbreak of war had been furnished by increased production, another quarter by reduced consumption, and no less than one-half by sources which involve "a burden on the future," that is, by drafts on capital at home and abroad—not allowing for the post-war value of assets created at home by the Government. According to Mr Kaldor, Britain may approach the ceiling of its economic mobilisation this year; the United States, on the other hand, still possesses a very substantial margin of resources that can be absorbed into its war effort.

Post-war Exports

If Britain's imports of foodstuffs and industrial raw materials are to be maintained at anything like their pre-war level, merchandise exports must play an important part in the post-war economy, especially as the income from overseas investments and other services will be smaller. In an address delivered at the annual meeting of the Royal Economic Society, last June, and published in the current issue of the *Economic Journal*, Mr Henry Clay made an attempt to forecast the trend of exports in the light of pre-war tendencies. These tendencies made for a restriction of Britain's exports. The growth of protectionism, especially in primary producing countries anxious to enter the field of manufacture, tended to hamstring Britain's established export industries. On the other hand, since this was not accompanied by a reduction in their exports, the terms of exchange moved in favour of this country; between 1913 and 1938 average import prices fell by 6 per cent, whereas average export prices rose by 35 per cent, a tendency which

released income for expenditure on domestic demands and thus facilitated the transfer of resources from export to home production.

As a result, the proportion of the value of Great Britain's industrial output sold abroad fell from more than a third in 1912 to 27 per cent in 1924, 17 per cent in 1935, and 15 per cent in 1938. In Mr Clay's view,

there is little doubt that in the absence of special measures to reverse it, the former trend will be resumed and strengthened, and exports become an even less important element in our economy.

Three conditions, he suggests, must be fulfilled if this tendency is to be reversed. First, the expansion of exports must be adopted by the Government as an object of policy which would involve, among other things, the relieving of exporters of some of the risks which are not within their control. Secondly, other Governments would have to collaborate in a policy of expanding international trade as a whole. Thirdly, there would have to be closer integration of marketing with manufacture. It is difficult to accept Mr Clay's analysis as a full and balanced explanation of the inter-war trend of British exports. According to the calculations of the League of Nations, the volume of world trade rose by 30 per cent between 1913 and 1929, and, in spite of the economic depression and the obstacles put in the way of the international exchange of goods in the thirties, it moved to within four points of the 1929 level in 1937. If British exports have shown a lagging tendency, this cannot be ascribed entirely to the growth of protectionism in other countries. It was due, in no small measure, generally, to the rigidities of the British economy in the inter-war period. The conditions which Mr Clay postulates, especially the first two, are indeed necessary to a revival of British exports; in fact, they are truisms. But trade can only flourish if British industry makes the best of its opportunities, that is to say, if it shows imagination, drive, and a willingness to adjust itself readily to changes in

demand. If it again tries to sell the same staple goods abroad as in 1913, it is admittedly not very likely to be successful.

Latin American Reactions

It is still early to assess the effect upon Latin America as a whole of Brazil's entry into the war. The immediate reactions are shown in declarations of solidarity by the countries not already at war rather than of their intentions to become active participants themselves. The nations now at war with the Axis (Costa Rica, Cuba, Dominican Republic, Guatemala, Haiti, Honduras, Nicaragua, Panama, Salvador and Mexico) will presumably provide Brazil with all facilities for mutual co-operation; the majority of those in the non-fighting group have extended non-belligerent rights, in accordance with the "solidarity in continental defence" clause of the Havana Conference, 1940, while Venezuela has stated its readiness to collaborate in the defence of Dutch territorial waters round Aruba and Curaçao. A declaration of war by Uruguay is still regarded as likely; the Government is waiting for the German reactions to its protests about the sinking of the *Maldonado*, and, in the meantime, is tightening up its control over aliens and Axis sympathisers. Peru has broken relations with the Axis, but has not entered into any specific commitments. In Chile, support for Brazil is very strong; but there is no sign yet that any departure from strict neutrality is contemplated, though the position will probably be clarified after President Ríos' return from his visit to the United States. In Argentina, the situation is still somewhat obscure. One has the impression that the isolationists are losing ground. *La Prensa* stated on August 26th that "no Argentine must now think that the conflict which has been loosed over the world is no concern of his country." President Castillo, whose personal sympathies lie with totalitarianism, is nevertheless becoming a keen student of public opinion, which is overwhelmingly pro-Ally, with an eye to the presidential elections in 1943. Señor Justo, who has been tipped as future President, is reported to have offered his services to Brazil. The situation throughout the continent may be described as one of animated suspension—if the Allies were to win any more decisive victories, such as Milne Bay, or if the Axis were to sink many more neutral ships, the possibilities would be greatly increased that more states would decide to take the plunge.

Wartime Incomes—A Correction

The second article with the title "Wartime Incomes," which appeared in *The Economist* on August 8th (page 164), fell into a statistical trap which should have been obvious. It will be recalled that the first article had recorded the figures of the aggregate of incomes assessed to income tax which were given by the Financial Secretary to the Treasury in answer to a Parliamentary question. The second article pointed out that, in order to obtain an estimate of the distribution of all personal incomes—not merely of those that were large enough to be assessed to income tax—it was necessary to relate these figures to the estimates of total personal incomes given in the Budget White Paper. Unfortunately, it was overlooked that, when the Inland Revenue speak of "incomes assessed to tax in respect of the year 1941-42," they mean, in the main, the incomes of 1940-41. The correct "White Paper" year to relate to the Inland Revenue figures is therefore not the year 1941—as was done in the article—but the twelvemonth ended March 31, 1941. This is pointed out in an interesting article in the current issue of the *Banker*, which also contains a number of detailed

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tables. The correction of this error alters very few of the figures, and none of the general conclusions, of the article. For those who may wish to refer to the tables, however, it may be recorded that the aggregate gross incomes in the "Under £125" class (the only one affected) should be corrected from £1,650 millions to about £1,750 millions in the earlier year (that is the year in which were earned the incomes that were assessed for income tax in 1938-39—i.e., for most purposes 1937-38) and from £2,100 millions to about £1,600 millions in the later year (that is, 1940-41) a change which resolves the dilemma posed by a correspondent in a letter which is printed on page 305. (The figure for the earlier year is very speculative, as there is no White Paper estimate of personal incomes for that year.) The figures of aggregate *net* incomes in this class should similarly be altered to £1,750 millions and £1,598 millions respectively. The third table is more extensively altered, and should now read as follows, the 1937-38 columns being regarded as very speculative:—

PERCENTAGE DISTRIBUTION OF PERSONAL INCOMES

Range of Gross Incomes	Distribution of Gross Incomes		Distribution of Net Incomes	
	1937-38	1940-41	1937-38	1940-41
Under £125	36½	28	39½	33
£125-£500	39	49½	41	52½
£500-£1,000	7½	8	7	6½
£1,000-£2,000	11½	5½	7½	3½
Over £2,000				4½
	100	100	100	100

The chief changes, it will be noted, are to alter the relative magnitude of the first two figures in each column; the remainder are almost unchanged. Of the total of *net* incomes in the later year, 85½ per cent are shown as accruing to those with incomes of less than £500 a year. This accords very closely with the figure of 85 per cent mentioned by the Chancellor of the Exchequer in his speech at Dundee last week-end.

German Health

According to official statements and occasional statistics, the health of the German people is good and medical services are adequate; and there is no doubt that during the first two years of the war particular care was taken in maintaining the health of Germany's war workers. A shortage of doctors was partly offset by an improvement in the organisation of health and medical services. There is evidence that the ordinary civilian not engaged in war work was at a great disadvantage right from the start of the war. During last winter, the situation changed rapidly. More doctors were called up for the army and for service in military hospitals. The rate of sickness in war factories increased considerably, because of the large number of women, old age pensioners, and physically weak persons who were brought in. Large scale migration, evacuation because of bombing, big concentrations of conscripted labour and millions of foreign workers and prisoners of war presented tremendous problems for the health and medical services. Regulations which have been issued for the distribution of drugs, medicines and other medical supplies show clearly that the supply situation is strained. Scattered statistics have revealed that tuberculosis, dysentery, scarlet fever, diphtheria, and venereal diseases are undoubtedly on the increase. It now seems that the tremendous demands of the *Wehrmacht* make it impossible to maintain adequate health and medical services for the civil population. The ordinary administration of these services under Dr Conti, the Health Leader, Secretary of State in the Ministry of the Interior and chief of the Department for Health in the Nazi Party, is no longer able to cope with these problems. Overriding powers for the concentration of medical services where they are most needed have become necessary. Hitler has, therefore, appointed a special commissar for medical and health services, Dr Brandt, the new commissar, is responsible only to Hitler, and his decisions are binding for military as well as civilian services. The free choice of doctors by civilians, which is already restricted, will probably be brought to an end; and the system of mass medical examinations of all civilians will probably not be continued. Dr Brandt has the enormous task of concentrating all available services for the *Wehrmacht*—and for any civilian emergency that may arise during the coming winter.

Two-Thirds of a Man

The Markham Report on conditions in the three women's Services was published on Thursday. It is a valuable and detailed survey of organisation as well as of conditions of life and employment; and will be dealt with at length in a forthcoming issue of *The Economist*. Many of its practical suggestions will surely be adopted, where they have not already been set in train; and a quick glance suggests only one important problem that has been entirely ignored—the question of women's pay. It would be interesting to know on what grounds so many of the women who participate in the war effort are rated at 66 2/3 or thereabouts of the value of the men who work beside them. In war industry, women are, in theory, paid the rate for the job when they can do it. In the Services, and in Civil Defence, there is not even this pretence. Even when women are directly replacing men, the rate of pay is at best two-thirds; and the rate of compensation for injuries sustained is correspondingly inferior. It is a fantastic anomaly that this state of affairs should persist; and it is significant that no single Minister has attempted to justify the difference in public, though several are willing to admit in private that it is all the Treasury's fault. One of the contributory reasons to the maintenance of this unjustified and unjustifiable situation is the reluctance of women who occupy leading positions in the war effort, especially in the women's Services, to "make trouble"—and so presumably to endanger the smoothness of their tenure of office. One astounding piece of irrelevant irresponsibility is said to have been uttered by one high-placed Service woman, who is alleged to have stated that, if the women officers under her command stopped smoking and drinking, they would find their pay more adequate—an argument which, if it is taken seriously for a moment, which is difficult, surely applies equally well to men officers in the services, all other ranks, munition workers and indeed to every gainfully occupied person. The women of this country have done an unprecedentedly big job in this war, even allowing for the blatant defection of one tiny well-to-do minority, which is more than matched by the devoted work of other well-to-do women. But the women have not been rewarded, on balance, with even bare justice; and not the least reason for this, apart from the stupid assumption of male superiority which still conditions the outlook of men in high positions, the very men who in all honesty should be pressing for the required changes, has been the bland timidity of too many of those of the women themselves who have risen to positions of dignity and authority. What is really wanted is a new suffragette movement to get rid of this two-thirds idiocy in pay and compensation.

A Doctor's Certificate

One of the trials of the doctor left in general practice in wartime is the ever-growing demand for a doctor's certificate. In addition to the routine national health certificates and so on, he may now be asked to certify that a person is suffering from one or other of certain named diseases so that bigger rations of food and milk can be drawn; that a woman is pregnant and can qualify for extra clothes coupons; that she has visceroptosis (dropped stomach) and can have corsets made to measure instead of having to buy them off the peg; that someone is bedridden and can reasonably expect to have his windows mended with glass instead of opaque material; that someone else is delicate and can claim exemption from firewatching; that yet another has fits and his family can put in a plea for a petrol ration; and, seventhly but certainly not lastly, that a person is ill and, on the assumption that fuel rationing comes in, will need a fire in his bedroom. It is probably true that this multiplication of medical certificates cannot be avoided. If, like children, the sick are to receive special privileges and have special claims on the country's reduced resources—as they should—then safeguards must be provided to prevent abuses. Unfortunately, it is by no means certain that a doctor's certificate gives this safeguard. The busy doctor may be too harassed to argue with his patient; the unscrupulous doctor may be too anxious to oblige. The conscientious doctor, therefore, who wishes to refuse a certificate, may find himself faced with the possibility of losing a patient if he does.

The question is not so much how to reduce the demand for a doctor's certificate as how to prevent it from being abused. Clearly, if the medical profession were a salaried

one, and the livelihood of each doctor completely independent of the number of his patients, the incentive to fall in with the wishes of patients would be greatly reduced. But, equally obviously, the merits and demerits of a salaried medical service cannot be decided by the question of medical certificates alone. Moreover, though it might be desirable to remove a doctor from the position of acting for his patient in such matters, as a solicitor acts for a client, it would be a waste of medical manpower to send each applicant for a certificate to an independent medical tribunal. There are, however, some possible ways of checking the abuse. The first is by awakening the medical conscience to the fact that in signing a certificate too easily a doctor may be signing away the nation's resources. Secondly, there should be some standardisation of fees for such certificates—though it would, of course be easy for a black market to grow up. Most important of all, the nature of a doctor's certificate should be changed. It should be accepted for what in most cases it appears to be—a statement of fact and nothing else. If, for instance, a man is certified to be an epileptic, the petrol authorities should not read into that statement—as they seem to do at present—a medical opinion that he cannot travel by train. A doctor's certificate should state quite baldly that a person is suffering from a certain illness; it should not absolve the authorities concerned from the responsibility of deciding on their own account, with the help, if necessary, of their own medical advisers, whether or not his claim to special privileges should be accepted.

Shorter Notes

The conditions and finance of schemes for productive work in duty hours in National Fire Service stations and

civil defence depots have now been settled. Arrangements will be made by fire force commanders and local authorities in conjunction with the regional boards who will inform Government contractors of the facilities that exist. Contractors will pay the fire service or civil defence authority the price that would be paid to a sub-contractor, and, after a deduction of 5 per cent for overhead expenses, transport and insurance, the net proceeds will go half to the Exchequer and half for the collective benefit of the staffs of the service. Now that these problems have been settled, it is to be hoped that the authorities concerned will do all they can to see that facilities for doing such work are available in fire stations and civil defence depots and to obtain sub-contracts.

Sir Earle Page, former representative of Australia in the British War Cabinet and on the Pacific War Council in London, whose position became somewhat anomalous after Mr Fadden, who appointed him, resigned in favour of Mr Curtin, has now been co-opted to the Australian War Council on which the Opposition is represented. Mr Curtin has also announced that Sir Earle will attend meetings of the War Cabinet, so that the knowledge and experience he gained overseas will be available to the Government.

Professor Ayalla Gabre, the new Ethiopian Minister to this country—the first since the restoration of Ethiopia's independence—arrived in London last week-end. In the meantime, the withdrawal of British troops from Ethiopia, with the exception of small areas specified in the treaty, continues.

AMERICAN SURVEY

British and American Incomes

ONE of the most remarkable phenomena of the war, both in Britain and in the United States, is the great advance in economic education that it has brought in its train. The last war, on the whole, bred a crop of economic delusions. This war—unless the present appearance of things is grossly deceptive—has taught some lessons of real value among the prevalent fancies. The chief lesson, and, if it sticks, the most valuable, has been the recognition of the importance of the national income—the realisation, that is to say, that there is a finite, though expandable, volume of production out of which the community must satisfy all its needs. An earlier generation used to call it the national dividend, and in a sense that is an apter description. But whatever the title given to it, the concept of the national income is one which has advanced in a very short span of years from the academic playroom to the centre of the political stage. Both in the United States and in this country there have been enormous strides in perfecting the statistical apparatus for studying the national income. In America, the pioneers have been a group of statisticians working under the National Bureau of Economic Research, now led by Professor Simon Kuznets,* and a second group of resourceful researchers in the Department of Commerce. In England, the honours are also equally divided between private researchers, such as Professor Bowley and Mr Colin Clark, and an anonymous team of Government servants whose work appears in the annual Budget White Papers.

Unfortunately, "national income" may have a variety of different meanings for different persons. And when the nation's war efforts begin, under Presidential encouragement, to be compared by reference to the proportions of their national incomes that are engaged, it is time to attempt to bring a little order into the present chaos of meanings and definitions. This task has been accomplished by Mr Richard Stone in an article in the *Economic Journal* for June-September, which recalculates and adjusts the American figures in accordance with the nomenclature of the British White Papers. Mr Stone is careful to disclaim any superior qualities for the British definitions, and it would be a great pity if any controversy were to arise on that score. Mr Stone himself, indeed, is rigidly scientific; he never permits himself a guess, and rarely an opinion; but his tables (for the full details of which the reader must be referred to the *Economic Journal*) will be of enormous assistance to all those who, for any reason, wish to compare the economic structures of the two countries.

Mr Stone's figures (which are based on the estimates of the Department of Commerce) extend over the whole series of years from 1929 to 1941. Net national income at factor cost in 1929 was \$87.6 billions. From there it fell to \$41.9 billions in 1933, and climbed again to \$72.6 billions in 1937. There followed a recession to \$66.1 billions in 1938, and then a steady recovery to \$72.0 billions in 1939, \$79.8 billions in 1940, and the record figure of \$99.1 billions in 1941. British figures on a strictly comparable basis exist at present only for the three years 1938, 1940, and 1941. Table 1 presents the total figures for the comparable years. It also gives the rough figures per head. For full comparability, of course, the figures should be converted into a single currency. Unfortunately, there is no warrant for thinking that the market rate of exchange in 1938 adequately measured the real relation of value between the two currencies; and there is even less reason to suppose that the pegged rate of wartime is a true reflection of real parity. For what it is worth, however, the conversion has

been done at these rates, though the results should be approached with all due caution.

TABLE 1.—NET NATIONAL INCOMES

	1938	1940	1941
Net national income at factor cost—			
1. United States (\$ billions)...	66.1	79.8	99.1
2. United Kingdom (£ millions)...	4,595	5,585	6,338
per head—			
3. United States (\$)	500	604	751
4. United Kingdom (£)	95½	116½	132
5. " (\$)	468	469	532
6. Rate of exchange (\$)	4.89	4.03	4.03
7. Ratio of 5 to 3	94%	78%	71%

The obscurity surrounding rates of exchange makes it impossible to draw a direct comparison between the real average national incomes of the two countries. The ratio between them, indeed, varies from year to year, owing to the greater volatility of the American national economy. The ratio for 1938, for example, was undoubtedly influenced by the fact that the recession of trade in that year was far sharper in America than here, and it may be that in some years, such as 1933, the average British income is actually higher, in real terms, than the American. On the average of years, however, it seems probable that the average British income lies somewhere between three-quarters and seven-eighths of the American—80 per cent might be a fair average figure to take for *prima facie* comparisons.

Distribution of Incomes

Another most interesting set of comparisons relates to the distribution both of income and of expenditure. Table 2 gives the data; 1938 is given for the United Kingdom, and 1939 for the United States since it is not possible to find a single year which can be taken as typical of pre-war conditions for both countries at once.

TABLE 2.—DISTRIBUTION OF INCOME AND EXPENDITURE

	United States (\$ billions)		United Kingdom (£ millions)	
	1939	1941	1938	1941
Rent, etc., of land	3.5	4.1	373	379
Interest and profits	22.0	31.5	1,351	1,722
Labour income	46.8	63.1	2,871	4,237
Net National Income at Factor Cost	72.0	99.1	4,595	6,338
Consumers' expenditures ..	63.5	77.4	4,056	4,689
Government expenditures ..	14.1	23.5	833	4,182
Private net investment at home	3.0	9.6	406	—493
Public and private net in- vestment abroad	0.8	0.9	—55	—798
Net National Expenditure at Market Prices	81.4	111.4	5,240	7,580

According to these figures, the peacetime distribution of net income in the two countries was broadly similar. Both labour income and the total of interest and profits were slightly smaller in Great Britain, and the income from land larger. What is of far greater interest to the economist is that the distribution of expenditure between consumers' expenditures, Government expenditure and net investment, so far as the comparison of these two peacetime years is any guide, was almost identical. Net investment was actually a rather larger proportion of total expenditure in the United Kingdom in 1938 than in the United States in 1939. Per head savings, at the current rate of exchange, were \$52.30 in the United States and \$46.45 in the United Kingdom. Moreover, the allocations made by businesses for depreciation of capital (which, though not counting as part of net income, have to be matched by physical investment if equilibrium is to be maintained) do not appear to be proportionately any larger in the United States than in Great Britain. These figures do not lend any support to the doctrine, which is fashionable on both sides of the Atlantic, that the volume of savings in the United States is so high as virtually to defy the efforts of the community to find investment outlets. It is true that 1939 was a less prosperous year in America than 1938 was in Great Britain, and that savings in the boom year of 1929 (let alone in the war-boom year of 1941) were half as large again as in 1939. Nevertheless, in view of the vast physical size of the American Union and the vast potentialities of expansion that still remain, there would not seem to be any insuperable obstacles to the absorption of the national savings. If Great Britain, with its inherently greater difficulties, can still (as it did throughout the later '30s) find fruitful investments for its savings, it should not be very difficult for

the United States to do likewise, find an outlet for savings which are proportionately no larger, or very little larger. The American economy is now fully mature, in the sense of being adult, but not in the sense of being naturally stagnant.

War Economy

A third comparison—in present circumstances the most interesting—is that of the changes that war has forced on the economic structures of the two countries. Unfortunately, to quote money figures is of very little avail owing to the considerable change in the value of money. An informative comparison therefore involves an estimate of the allowance that should be made for the rise in prices. This has been done in Table 3, though it should be emphasised that the results are necessarily very approximate. The figures have been given in the form which is already familiar in the columns of *The Economist*, in which all the quantities are expressed as percentages of the national income in the base year. The figures for the United States are, for 1939, 1940 and 1941, based on Mr Stone's re-arrangement of the official estimates and, for the financial year 1942-43, on an article by Mr Milton Gilbert in the March 1942 issue of the *Survey of Current Business* for the financial year 1942-43. The figures for the United Kingdom for 1938, 1940 and 1941 are estimates, and those for the financial year 1942-43 are guesses, by *The Economist*. In all cases the conversion from money terms to real terms is somewhat speculative.

TABLE 3.—DISTRIBUTION OF NATIONAL INCOME IN REAL TERMS
(Net national income of base year = 100)

	Base Year		1940		1941		1942 43*	
	U.S. (1939)	U.K. (1938)	U.S.	U.K.	U.S.	U.K.	U.S.	U.K.
Personal expenditure ..	78	77½	82½	71½	88	69	76½	64
Govt. expenditure	17½	16	18½	49	26½	61	69	67
Net investment	4½	6½	8½	16½	11½	19	2½	17
Net national income at market prices	100	100	109½	104	126	111	148	114

* Fiscal year in each case—i.e., July-June for U.S., April-March for U.K.

The total of Government expenditure in the current year will, if the estimates are reached, form about the same percentage of pre-war national income in each country. But the ways in which resources are provided to meet this increase in expenditure are very different. The United States had the possibility of a very large expansion in total output, and as a result the war expenditure can be accommodated by bringing consumption back to the pre-war level (or slightly lower) and by cutting in half the pre-war rate of additions to capital. In the United Kingdom, the extent to which the national income could be increased was much smaller, for a variety of reasons, such as the smaller volume of unemployment, the disturbing effects of black-out, blitz and blockade, and the higher proportion of men in the relatively unproductive occupation of soldiering. Consequently, the required increase in Government expenditure could be attained only by a severe cut in consumption and by converting the pre-war rate of investment into a very heavy draft on accumulated capital. If the cost of the war can be measured by the increase in Government expenditure, then it has been distributed as follows (the figures being, as in the previous table, percentages of the net national income in the base year):—

	U.S.	U.K.
From increased output	48	14
From diminished consumption	14	13½
From reductions in net investment (or from drafts on capital)	24	23½
	51½	51

It should not be necessary to add that figures of this nature (which are very approximate in any case) do not provide any basis for criticisms or invidious comparisons. In particular, it should not be forgotten that Britain would not have been able to meet its needs by drawing on the accumulations of the past (or could not have done so to the same extent) if there had been no United States to draw on. And the candid observer will record that the heavy restrictions of civilian consumption in the United Kingdom were as much due to the compulsions of the Battle of the Atlantic as to any voluntary national stoicism. But the figures do illustrate very clearly the difference in the economic circumstances of the two countries. Fortunate is the nation that can make so gigantic an effort at such little cost either to its present welfare or to its future wealth.

American Notes

Alibi's End

A further reorganisation of the War Production Board's priority controls over scarce materials, and in particular of its steel branch, is taking place. On his return from a week's holiday, Mr Nelson announced that there would be no more alibis; any one who crossed his path would have his head taken off. The first heads have rolled. The Deputy Chief of the Iron and Steel Division has resigned, and it is expected that the resignation of Mr Taylor, chief of this Division, who has been under fire recently, will also be accepted. Cables to the British press report that many of the powers over production exercised by the Services are now to be assumed by the War Production Board, especially the authority to grant priority ratings for raw materials, which is to be transferred to WPB after September 9. "Priority inflation" has been at the root of much of the materials chaos. The Board has admitted that in June priority orders for steel were issued for almost twice the amount of steel available, and Mr Taylor, testifying before the Senate, conceded that he could not say what had happened to 1 million tons of steel—nearly one-fifth of the month's output—although he "assumed it went into the war effort." Naturally there has been an immense depreciation in the value of priorities; the A-1a rating allotted to aircraft a few months ago is now almost worthless and has been superseded by AA ratings. Last month, Mr Murray, head of the Congress of Industrial Organisations, alleged widespread mismanagement on the part of the steel companies; and one of WPB's steel experts, Mr Libbey, has gone on record as agreeing that a thorough reorganisation of the industry is necessary. Congress has heard witnesses testify that many companies, particularly established ship-building yards, continue to keep peacetime stocks of materials desperately needed elsewhere. Nor are the Services immune from charges of lack of balance and co-ordination in their planning of production. The August 17th issue of *Time* suggests that a single Steel Controller may be appointed, on the model of the last war, from whose decisions on allocation, stocks, and production, appeal would lie only to Mr Nelson. The significance of the materials controversy should not be exaggerated. Vigorous action on Mr Nelson's part to limit allocations and priorities to available supplies should bring the materials position under control with the third quarter. If he is successful there should be no difficulty in maintaining civilian direction of the production programme. A House Committee has censured Mr Nelson for allowing the Services to continue to exercise so much control over production and for allowing control over the distribution of manpower to be transferred to the War Manpower Commission.

Wage Magnets

The most serious immediate consequence of the failure to develop a co-ordinated wage and manpower policy is the continuing drift of workers from the coal and copper mines and the lumber industry into higher-paid jobs in aircraft and shipbuilding. The copper shortage is so serious that the policy of paying premiums above the ceiling price is being extended by the War Production Board, but nothing has been done as yet to end the drain on mining manpower caused by the lure of weekly earnings of \$46 in aircraft and \$53 in shipbuilding, compared with about \$37 in metal mining. In the first five months of this year, Anaconda's Butte mine lost 1,000 men, of whom it could replace only 400; and in June, because of man-power shortages, the tonnage produced at some pits fell 50 per cent. One sore point is the continued employment of 7,000 miners in mines producing gold alone, while it is estimated that only 5,000 additional men are needed to ensure capacity production in the copper mines. Very much the same situation exists both in anthracite and bituminous coal mines, which are losing men to steel mills and shipbuilding, and in the lumbering industry. It is now reported that the War Labour Board has agreed to consider 37 wage claims from the copper miners "on an industry-wide basis" in order to end the man-power drain; and recent voluntary wage increases in the lumber industry have had the same purpose. The raising of wage-rates creates new complications, however, as many companies will then be unable to operate under present price ceilings. One solution would be the closing of gold mines, and the transfer of miners to more essential work; but here inadequacy of powers and their

distribution among various Government agencies prevents decisive action. What is needed is agreement on a policy which would employ both the instrument of wages and man-power controls, and concerted action by the Labour Board, the Man-Power Commission and the War Production Board. It is to be hoped that the President's Labour Day address, which is to cover problems of wages and price control, will also propose methods of dealing with the way differences in wage rates are disrupting the production programme.

Bomber City

Detroit, the converted automobile city, will be responsible for about one-sixth of America's war production in 1943. Yet *Life*, which in its issue of August 17th carries a memorable series of pictures of wartime Detroit, has hard things to say about the sit-downs and wildcat strikes, material shortages and poor planning which have cut into production, and concludes that Detroit's morale situation is perhaps the worst in the U.S. The charge has aroused Detroit's mayor to call *Life* "scurrilous and yellow," but the *Detroit Free Press* admits that "to much of this harsh indictment Detroit must plead guilty." A WPB study of 192 automobile plants made in May, found that only 123 were doing more than the quarters of their manufacturing area to war work; 55 devoted less than 50 per cent to war production. Shortages of materials and skilled labour are responsible for much of the failure to use plants to the utmost; but there are also menacing tensions between the unions and managements, and explosive possibilities in the city's mixture of races and religions. Of its 2 million inhabitants, 100,000 are Polish Catholics, 150,000 negroes, and 200,000 are Southern whites, almost equally anti-negro and anti-foreigner. In this atmosphere, the acute housing shortage is dangerous; and it is unfortunate that a long drawn-out conflict between Detroit's private builders and the Federal Public Housing Authority could not have been avoided. There was open violence last winter when negro families attempted to move into "Sojourner Truth," a Government housing project, and *Life* prints an unforgettable page of pictures of the trailers and shacks in which highly paid war workers still are compelled to live.

Houses for Detroit

The acuteness of the housing shortage in Detroit is likely to increase. Employment at Willow Run, which was expected to provide an immense demand for new homes, is expected to be only 40-50 per cent of the original forecast, but Mr Kanzler, regional War Production Board chief, has estimated that the 565,000 workers on armament payrolls in July will increase to 630,000 by the end of September and reach 740,000 next year. Peak automobile employment in 1941 was only 430,000. An attempt is being made to bring Detroit women into the factories, but the attraction of new workers into the area seems inevitable if Detroit's plant resources are to be fully employed. The expansion in housing that they will need is to be provided by private builders. It is now thought that the WPB will provide materials for the completion of 4,000 homes and for an additional 12,000 units, on which work will start immediately. The defeat of the Federal Public Housing Authority, which has been insisting on the construction of a "Bomber City" to house Willow Run employees, appears to be due both to local pressure and to the shortage of materials. The strongest

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pressure came from Henry Ford, who ordered Government surveyors off the land and their stakes torn out. His opposition was ostensibly on the grounds that the project would be wasteful, extravagant, and not ready in time (a case of too much and too late); but other sources suggest a further reason—that after the war it might have to house a whole community of unemployed workers, a tremendous centre of industrial unrest. It is also said that the housing centre of Willow Run workers near the plant might upset Republican control of the county, and increase taxation. The Ford Company is convinced that its proposal to recap workers' tyres with Thiokol will solve the transportation problem; this appears to dismiss almost too casually the absence of housing within easy commuting distance, and the waste of workers' time and energy—and assumes, perhaps naturally on the part of Ford, that every worker has access to a car. Whatever the reason, Government housing near Willow Run apparently will be cut to the provision of a few barracks for temporary occupants; and the Government's contribution to Detroit's sorest problem is likely to remain the two small projects already completed. Whether private industry, within WPB's material allocations, can provide the solution is problematical. Construction of 20,000 homes does not seem unduly generous, and the labour disputes with which Detroit's building industry has been plagued may not have been finally disposed of under the agreement reached in July.

If Winter Comes

Forecasts that further rationing programmes would be left till after the elections are being falsified by events—in the case of fuel oil by the fact that the heating season in the Eastern seaboard starts in October. Mr Nelson has confirmed reports that a decision on fuel rationing has been reached; and the President has induced anticipatory shivers by suggesting that some regions would get 25 per cent less fuel than has previously been used for house-heating. The prospective shortage is the result of the same transport difficulties which made petrol rationing a disagreeable necessity. Despite the efforts of the railroads, oil reserves in the Atlantic states fell from 82 million barrels in December to 46.5 millions in April. Since then the figures have been a military secret, but the Petroleum Co-ordinator has warned that after April "the situation did not suddenly and drastically improve." New and relaid pipe lines will alleviate the shortage, but will not overcome it. One of the greatest obstacles to the imposition of a rationing scheme which would assure supplies to war industry and the fair distribution of the remainder is the lack of information on the kinds of heating plant employed. The only official statistics available

are those in a sampling study made by the Federal Housing Authority in nine eastern cities, which showed that about 61 per cent of the homes investigated burned coal, 7.6 per cent used gas, and 31.3 per cent depended on oil. Householders have been energetically following the Government's advice to build up coal stocks during the summer; so much so that demand, increased by conversion of industrial and domestic oil-burning furnaces to coal, has outstripped production. The weakest spot on the home front is the suggested 31 per cent of families dependent upon oil for their heating. It is unofficially estimated that less than 20,000 of the 1,400,000 domestic oil-burning furnaces were converted to coal by mid-summer. It has been stated that plans for meat rationing will take about four months to prepare. There is less time to establish fuel rationing before the winter comes; and British experience suggests that, of the two, fuel rationing is more difficult to establish and to sell to the public. Rationing of fuel oil alone will not be well received by those who, shivering themselves, see more fortunate neighbours enjoying adequate supplies of coal.

Shorter Notes

Owing to a regrettable error, the failure of United States production to meet the June schedules was given in a Note on "The Production Crisis" last week (on page 268) as 70 per cent instead of 7 per cent. The figure given was so fantastic that few readers will not have recognised the error for themselves.

One result of the brilliant action at Milne Bay will be to strengthen the movement to bring McArthur back from the Australian war zone. There have been a persistent campaign for his appointment to a more spectacular rôle and suggestions that he had been relegated to Australia precisely because of fear of his popularity.

The meat shortage has brought a statement from Washington that plans for meat rationing will be complete in about four months. In the meantime, the Food Requirements Committee has recommended the creation of a quota system for wholesalers which will substantially reduce the amount of meat available for the civilian consumer. A figure of 2½ lb. of meat a week has been suggested as the prospective ration. This is still well ahead of British pre-war consumption, which was 1½ lb. per head. American consumption has been on the increase recently owing to higher incomes in the lower wage brackets.

THE WORLD OVERSEAS

Canadian Munition Costs

(From Our Ottawa Correspondent)

August 21st

ACCURATE figures on the cost of production of munitions and weapons in Canada have only rarely been available. A mixture of reluctance to give information that business men would not wish to disclose to a competitor and considerations of wartime secrecy has conspired to shroud the fact that Canada has scored a great success in cheap and efficient war production. A recent examination of a number of selected items of production led officials of the Department of Munitions and Supply to estimate that production costs have been reduced by between 30 and 50 per cent over the whole range of Canadian munitions production in the past two years—the period in which the munitions programme has advanced from the blue print to peak output. Since expenditures on munitions in Canada, representing Canadian, British, American and certain other allied orders have exceeded \$5,000,000,000, the savings to taxpayers could be placed conservatively at around \$500,000,000. This is the rough estimate of economies obtained in contract prices by a process of continuously

levelling off unit costs, as the results of mass production warrant.

Canada possessed virtually no munitions industry or experience in 1939. Plans to produce the Bren machine gun were under way when the war started. The initial price agreed upon with the John Inglis Company, Limited, of Toronto, was \$450 per unit. Recently, Mr Howe, Minister of Munitions and Supply, said that during the first quarter of 1941 the cost of this weapon to his department was \$390, and that in the first quarter of 1942 the cost had been reduced to \$192. The productive equipment of the plant is now owned by the Government, and the company receives a management fee for operating it. This is because from time to time the Government has furnished the capital for plant expansion.

Moreover, during the three months ended June 30th, Mr Howe disclosed, the Canadian output of Bren guns was equivalent to a third of the entire previous production extending back to 1940. This statement indicated the extent by which production has been multiplied, after the original problems of organisation were solved. The Canadian Bren

gun, in use on all the battlefronts of the world, is typical of many other instances in the munitions programme.

Big Reductions

The original price of an artillery piece was \$35,000. Its current price to the Canadian taxpayer is \$20,000, and a further shrinkage in cost is believed possible as production gains efficiency. A certain type of fuse was produced in Canada at a cost of \$3.05 each. That price held only for the first 50,000. At present the department is paying \$1.52 for the fuse, and, by use of a new alloy, the cost can be reduced to 68 cents. An anti-tank gun cost the department \$3,300 at first, whereas the current price is \$600.

Interest has been shown in Canada in re-negotiations of contracts by the US army and navy, in which savings of millions of dollars have been secured. By comparison, Canada is a low-cost producer of munitions, utilising on a relatively smaller scale the same technique of mass production. Scarcely any re-negotiation of contracts, in which, after review, the price is scaled down, has been carried out in Canada. The Canadian system has been based largely upon the so-called "target price contract."

This system has developed in this war. Most items of munitions produced in Canada were based on British models. Usually, the price of the British manufacturer was converted into Canadian dollars. The Canadian contractor was allowed the target price—normally the British price plus a small profit—as a basis upon which to get into production on a portion of the initial contract, say 10 or 20 per cent. The price was subject to audit by Mr Howe's department. If manufacturing became more efficient and costs were found to be falling, the contractor was allowed his costs plus profit—the prevailing profit has been 5 per cent. In addition, as an inducement to efficiency, he was allowed a percentage of the spread between the original target price and his actual cost.

Patriotism and Profit

This system, combining patriotism and profit, has resulted in notable reductions of contract prices, at a time when costs generally have been rising. Its major variation in the Canadian munitions programmes has been the management fee contract, which has become a standard form in industries for which the Government has furnished most or all of the capital. A fee of so much per unit, including actual cost and a margin of profit, is paid to the management under this form of contract. Approximately 50 per cent of Canadian munitions contracts are at present performed on a management fee basis.

In 1939 and early in 1940, the department employed cost-plus contracts, but few of this type are left to-day. It originated at the time when there was no yardstick of competitive prices upon which to write a contract. So the department agreed to pay cost plus 5 per cent. This form has been supplanted by the target price contract, allowing a percentage of profit that increases as unit costs are lowered.

One of the most expensive items of cost in war is ship repairs, for which the customer is normally the British Admiralty or the Canadian Naval Department. Formerly, when a ship put in to a Canadian port, a bill was presented and the customer paid. But the Department of Munitions and Supply has evolved, on the basis of British experience, the "time and material" contract for ship repairs, by which the customer pays actual costs plus 5 per cent. The saving accruing has already run into millions of dollars. A similar contract form has been adopted in the United States.

Canadian experience in munitions contracts has led to standard practice, contained in a memorandum Munitions and Supply No. 443. This is a comprehensive summary of cost accounting principles, directing that payment of munitions contracts shall cover the sum only of direct materials used, labour, expenses and indirect costs, plus a reasonable profit. Costs such as advertising, allowances for interest on bonds, unreasonable compensation, and, altogether, eighteen specified items, will not be accepted. All contracts are subject to review, and several hundred continuous audits are in effect. Naturally, an immense amount of cost auditing is under way at all times.

These facts regarding Canadian cost practices furnish a reply to questions that have been raised from time to time regarding possible profiteering. The Canadian public, remembering the profiteering record of the last war, has maintained an attitude of suspicion that dies slowly. Recently, practice with regard to contracts was placed upon public record by the special parliamentary committee on war expenditures.

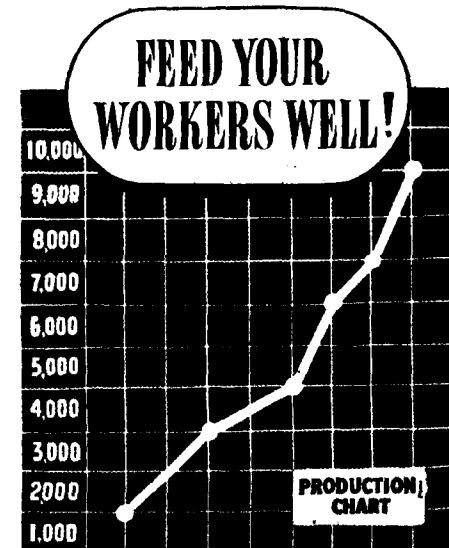
Portugal and Brazil

[FROM OUR LISBON CORRESPONDENT]

August 22nd

THE direct reaction to Brazil's entry into the war differs according to the leanings of the Portuguese public. To the great majority, the news can scarcely be called a surprise. Indeed, one might almost say that it has been received with pleasure by at least 95 per cent of the population, though this does not mean that the people as a whole fully realise all the implications of Brazil's act. *Zé povinho*—the people, as distinguished from the bourgeoisie, and the *fidalgos*, or persons of admitted aristocratic birth—these, it can be said with certainty, are delighted. They feel, more than almost any class in Portugal, the innate justice of the Allied cause and the horrors of the German method of conducting totalitarian war. The middle classes and business generally are uneasy; they fear that this new development may mean a reduction in the excellent profits that have come their way during the past twelve months; the numerically small but politically influential upper classes are sharply divided. It must be remembered that Axis propaganda in this group has been almost wholly based on a sort of *Kulturkampf* mentality; the stories of shootings of hostages, ill treatment of Jews and Poles, Czechs and Jugoslavs are frankly admitted, but brushed aside as being events incidental to an all-out war effort—an effort necessary to ensure the safety of Western Europe and Latin civilisation, threatened by the Communism of the Tartar hordes.

This line of argument appears to have made a special appeal to a limited number of leading personalities who freely declare that they desire to see a German victory, because any other end to the war would mean the downfall of all the scientific, artistic and technical skill, the thoroughness and the discipline which have always been associated with German thought and action in their minds. It should be remembered that Germany, and of recent years Italy as well, have consistently fed and flattered Portugal with accounts of German and Italian progress in science and in



Production charts in the war industries prove the importance of feeding your workers well. A good works canteen reduces fatigue and absenteeism, and contributes to the better health of war workers.

That is why so many front rank firms, as well as Departments of H.M. Government, employ specialist catering contractors, members of this Society, to operate their works and staff canteens. The Society's members stand ready to operate canteens for workers wherever they are engaged along Britain's industrial war front.

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social uplift, at the same time endeavouring to implant Axis systems on local soil. With the recent stress laid on Portuguese-Brazilian confraternity, more particularly in respect of literary and artistic relationships, the small pro-Axis group of *literati* were brought much to the fore, being encouraged, if not actually aided in some ways, by German direction. How matters will now stand for the Portuguese friends of the Axis it is impossible to say at the moment.

The Shipping Outlook

What effect on shipping to and from Portugal will follow from war between Brazil and the Axis? That is the question predominant in Lisbon to-day. Portuguese tonnage, taken from the African colonial service to earn better freights on the North and South American routes, is very limited in amount; if Brazil, being at war, refrains from sending ships here, will they be partially replaced by Portuguese vessels and how will these be treated by Axis submarines? Two Brazilian boats, the *Bagé* and *Cuyaba*, which ought to be on their way here, have not been allowed to leave Rio.

Meanwhile, a rather ingenuous argument for continuing Brazilian shipping on this route has appeared. Such boats, it is said, are consigned to a neutral country; furthermore, the bulk of their cargo is for Switzerland, another neutral. This is hardly convincing for the Allies. Great Britain might even in justice argue that Brazil's belligerency affords Portugal an opportunity to give greater facilities to her own colonies, since lack of tonnage rather than blockade restrictions is the chief handicap on their trade to-day.

Anglo-Soviet Trade

[BY A CORRESPONDENT]

August 31st

DURING the first years of the war, trade between Great Britain and the USSR was at a standstill owing to the political situation. But the trade negotiations carried out by Sir Stafford Cripps's economic mission paved the way for the big exchange of raw materials and goods which has taken place during the last year.

After Germany had attacked Russia, the problem of supplies to the Soviets was split into two parts. On the one hand, there was the question of direct military supplies. On the other, it was important to help Russia to expand its industries and reconstruct those evacuated to the east. The need for replacing essential consumption goods was also recognised.

Towards the end of last year, a Russian trade delegation arrived in this country headed by the leaders of the machine tool and electrical equipment import trusts. The delegation made it clear that the Soviet Union would require large quantities of machinery, machine tools, electrical equipment and raw materials (especially non-ferrous metals). An initial credit of £10 millions was opened. This was quickly exhausted, and an additional credit for £25 millions was opened; arrangements for further credits are in progress.

The procedure for placing and accepting Russian orders was simplified. The Ministry of Supply became the central office for all Russian requirements, and placed them with different manufacturers according to the availability of labour, tools and raw materials. All payments, as well as the shipping arrangements, are carried out through the Ministry of Supply and the United Kingdom Commercial Corporation, which acts on behalf of the Ministry.

British manufacturers had considerable experience in the execution of Russian orders, for in pre-war days machinery was one of the chief commodities in British exports to the USSR. There were, however, many difficulties to overcome before the British industries started to work smoothly on carrying out the Soviet orders. Many manufacturers, who had a choice between accepting domestic orders and Russian orders, naturally preferred the easier task of fulfilling home demands. Workers, on the other hand, are usually enthusiastic over Soviet orders, which in many instances, when the raw materials were available, were executed in record time.

In addition to new machinery and tools especially ordered for Russian requirements, large quantities of second-hand machinery, electrical parts, motors, boilers, etc., were shipped to Russia from available stocks. Apart from machinery, Soviet Russia has bought large quantities

of medical equipment and supplies, non-ferrous metals and other materials, especially hides and skins and leather; in the case of some of these, though the orders were placed with the Ministry of Supply, they were fulfilled from other, mainly Empire, sources. Requirements are growing, and a new programme for supplies during the coming winter is now being discussed in Moscow. American experts are participating in these discussions, and the programme for expanding the shipment of goods to Russia will be carried out with the full co-operation of the United States.

Simultaneously with the expansion of British exports to Russia, imports into this country have also grown. The main items in Russia's exports to Britain, timber and flax, were put at the disposal of Great Britain soon after Russia entered the war. The Soviet authorities instructed the export departments of the Ministry for Foreign Trade to make all surplus timber and flax available for Great Britain, and large quantities of these materials reached this country. Payment for imports was recently arranged on a basis of adjusting prices according to the general trend of prices for different commodities, and these imports increased the Soviet credits for purchasing supplies, other than military supplies, in this country.

Shorter Notices

"The Directory of Directors, 1942." Thomas Skinner and Co. (Publishers), Ltd. 1772 pages. 30s. net.

The latest edition of this unique compilation contains approximately 30,000 names. Since the 1941 edition there have been as many as 4,000 changes through death or retirement. The directory remains indispensable to the investor, and the business man—as well as to the student of the anatomy of public affairs.

Books Received

The International Experiment of Upper Silesia. By G. Kaackenbeeck. (London) H. Milford. 867 pages. 42s. net.

America's Trade Equality Policy. By H. O. Davis. (Washington) American Council on Public Relations. 137 pages. Cloth, \$3.00; paper, \$2.50 net.

The British Tariff Movement. By M. E. Lowe. (Washington) American Council on Public Relations. 133 pages. Cloth, \$2.50; paper, \$2.00 net.

A Theory of Consumer's Demand. By R. T. Norris. (London) H. Milford. 206 pages. 18s. 6d. net.

A People's History of Germany. By A. Ramos Oliveira. (London) Gollancz. 228 pages. 7s. 6d. net.

Refugees and Industry. By C. C. Salway. (London) Williams and Norgate. 23 pages. 1s. net.

Stock Exchange's Ten-Year Record, No. 34, 1942. Compiled by F. C. Mathieson and Sons. (London) Mathieson, 16, Copthall Avenue, E.C.2. 582 pages. 20s. net.

Modern Burma. By T. L. Christian. (New York) Institute of Pacific Relations. 381 pages. \$3.00.

Year-Book of Labour Statistics, 1941. International Labour Office. (London) 38, Parliament Street, S.W.1. 203 pages. 10s. 6d. net. (Montreal \$3.00.)

The Sinews of American Commerce. By Roy A. Foulke. (New York) Dun and Bradstreet, Inc. 418 pages. No price stated.

History of the United States Food Administration, 1917-1919. By W. C. Mullendore. (London) M. Milford. 399 pages. 28s. net.

A Combine of Aggression. By K. Otten. (London) Allen and Unwin. 356 pages. 15s. net.

The Future of Auditing. By a Group of Accountants in Industry. A Series of Four Articles, reprinted from *The Accountant*. (London) Gee and Co. 28 pages. 1s. net.

Savory's Insurance Share Annual, June, 1942. (London) Thomas Skinner and Co. (Publishers), Limited, 330, Gresham House, E.C.2. 115 pages. 5s. net.

The Art and Technique of Administration in German Ministries. By A. Brecht and C. Glaser. (London) H. Milford. 191 pages. 11s. 6d. net.

Introducing America. By W. E. Simnett. (London) American and British Commonwealth Association, 18, South Street, W.1. 24 pages. 3d. net.

Fire Protection and ARP Year Book, 1942-43. (London) Lomax, Erskine and Co., Ltd., Aldwych House, W.C.2. 278 pages. 7s. 6d. net.

Parity, Parity, Parity. By J. D. Black. (Cambridge, Mass.) Harvard Committee on Research in the Social Services. 367 pages. No price stated.

Letters to the Editor

Wartime Incomes

TO THE EDITOR OF THE ECONOMIST

SIR,—The two articles on "Wartime Incomes" in your issues of August 1st and 8th are of such general interest that I would raise the following points.

From the table on page 164 it is seen that a total of £2,100 millions is received by persons whose incomes are less than £125, which at an average income of £100 would mean that the number of such incomes is 21 millions. By addition from the same table we have 13.7 million incomes over £125, making a grand total of 34.7 million incomes, which appears too many. The population of this country is estimated in the White Paper, Cmd. 6358 for 1941, as 46.6 millions, with 9.6 millions under 15. I believe the two million old-age pensioners would not be in your total, and of some nine million wives a good proportion will still not be in receipt of any income. Taking four millions, we have 30 million possible incomes.

A further point on which information would be valuable would be an estimate of family incomes. The average man in receipt of an income of, say, £400-£1,000 is probably the only member of the family receiving an income, whilst it is obvious from your figures that most of the people earning less than £125 are not the head of a family, but are boys and girls in their teens living at home or are wives who go out to part-time work, whose earnings are not included in their husband's income-tax return.

Until the man in the street has a clear picture of the distribution of gross income and real income it is doubtful if any wages policy such as you have advocated for the last few years can even be hoped for—the Government prides

itself on being democratic and doing what the country wants.

Yours truly,
R. H. COATES.

Sheffield.
[Mr Coates's first point is dealt with in a Note on page 297.—EDITOR.]

Income Tax

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of August 15th you gave a comparative table of the incidence of income-tax in the US, Canada and the UK. The comparison shown in the table below gives an easier understanding of the effect in the US and UK.

Income	Amount left to the Taxpayer	
	U.S.	U.K.
\$	\$	\$
1,000.....	916	811
1,500.....	1,329	1,100
2,500.....	2,155	1,650
5,000.....	4,125	3,025
10,000.....	7,705	5,375
15,000.....	10,779	7,163
20,000.....	13,379	8,650
50,000.....	24,684	13,425
100,000.....	36,354	15,800
500,000.....	90,379	25,800

Yours faithfully,
C. B. COLSTON.

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German Europe

Financing Arms Production

NEW rules for financing armament and other public orders have been issued by the *Wehrmacht* and the responsible Ministries, on the recommendation of the Minister for Armaments and Munitions, Dr Speer. From October 1, 1942, onwards, the *Wehrmacht* and the Ministries will stop advance payments as well as interim payments to manufacturers who receive orders. With these measures, the latest reorganisation of Germany's war economy has been extended to the financial sphere. The new concentration of industry and the greater effort which have been evident since the first winter of war in Russia were carried without much regard to financial considerations. Although the average monthly increase in the national debt hardly altered during the April-June quarter of 1942 compared with the first quarter, there was an alarming rise in the short-term debt. During the three months from April to June, the short-term debt increased by Rm. 9,150 millions against a rise of only Rm. 6,000 millions in the long-term debt. The first aim of the new rules is to arrest the further rise in the short-term debt. It is estimated that advance payments amount on an average to Rm. 5,000 millions. The idea is that industrialists should finance the orders by drawing on their bank balances or ask for advances from the banks. The greater part of German industry will have to use again the method of self-financing which was a feature of the rearmament period. The banks, on the other side, have been trying for a long time to find an outlet for their exceptional liquidity. The Reich will be relieved of the necessity of advancing payments amounting to Rm. 5,000 millions on new orders. Once the orders have been delivered, of course, the total Reich debt, and particularly the short-term debt, will again increase at the old rate.

For a long time, even exceptionally liquid firms demanded payments in advance, which were probably used for financial transactions on the bourse. The *Wehrmacht*, on the other hand, developed extensive machinery to effect these advance payments. The new rules are intended to restore financial self-responsibility of the private industry. The recent changes in industry itself and in the economic organisation had the same aim of restoring "private responsibility"—a somewhat euphemistic term which actually means greater and more immediate control of production by the special committees set up by Minister Speer.

The new measures must be seen in the wider context of the policy of keeping the costs of war as low as possible and maintaining the stability of prices and of the currency. Fixed prices for armaments were the first step in this direction; and the price commissar's attack on cartel prices, which started a short time ago, is a logical extension of the system of fixed prices as against the cost-plus profit prices enforced by a number of cartels. But these measures cannot hide the fact that prices in Germany are slowly becoming unbalanced. Agricultural prices, for example, are entirely artificial, being the result of a very complicated system of compulsory marketing and subsidies. But the constant threat of unregulated price movements in occupied and dependent countries has not yet been effectively countered. Moreover, there is the unquestioned pressure which is exercised on prices by the movement into *Sachwerte*, that is, into real property. The price reductions which have been affected by decree are relatively unimportant compared with the actual price increases which have taken place. The staple remedy of the authorities is the policy of mopping-up excess purchasing power.

An interesting example of this policy is the abolition of the rent tax. This tax has been levied since 1926 on all house property built before 1918. House owners who were able to keep their property during the inflation, 1919-23, were in an advantageous position after the inflation because of the general reduction of mortgages. A special tax was therefore levied on them, and the revenue from this tax was used by the communes for financing house building. This tax has now been abolished; but the house owner is required to make an equalisation payment amounting to ten times the annual tax. No doubt this is mopping-up some money; but a great part of the house owners will not be able to pay this equalisation amount. Mortgage banks, savings banks and insurance institutes have therefore been empowered to grant equalisation loans at 4.5 per cent interest and 4 per cent amortisation. The banking institutions will

at the same time issue mortgage bonds to finance these loans, and it is estimated that mortgage bonds amounting to at least Rm. 1,500 millions will be issued. Vagrant money estimated to amount to Rm. 8,500 millions is thus being mopped-up.

Wages.—According to the official German statistics, hourly and weekly wages showed a slight increase during 1941 because of longer working hours; the general wages stop prevents a rise in wage rates. The wages index (1936=100) was as follows:

	Nominal Wages		Index of Cost of Living (1936=100)
	Per Hour	Weekly	
June, 1939.....	109.7	114.5	101.6
September, 1939.....	107.3	110.6	101.0
December, 1939.....	109.2	114.0	101.5
December, 1940.....	114.5	120.8	105.1
December, 1941.....	117.9	124.3	106.8

The rise in gross nominal wages has thus been continuous since October, 1939. It appears from the table that the workers in German industry are actually enjoying higher real wages because of the slightly smaller increase in the cost of living. Apart from the effect of rationing, the net wages are, however, considerably smaller than they seem because of additional taxation. The statistics relate to a selected number of industries, and it must be doubted whether the index gives a real picture of the wages situation in Germany. An important factor in the increase in nominal wages, apart from longer working hours, is the shift of workers into the armament industries, where wage rates are above the average. Moreover, the earnings of foreign workers are included in the statistics, which means that the wages received by German workers are above the average shown in the index figures. Officially, foreign workers are paid the same rates; but their efficiency is said to be below the standard of German workers. Detailed figures show that the increase in wages from September to December, 1941, was smaller than during the same period in 1940. It is officially explained that the early frost put a stop to outdoor work, caused an interruption of work in factories because of lack of fuel and increased sickness among the workers. During the winter daily hours of work fell appreciably. A particularly interesting feature is the fact that the percentage of workers receiving separation allowances rose from 5.3 per cent in September, 1941, to 7.1 per cent in December, 1941.

The wages stop and the frequent changes in production programmes have produced the problem of bonuses, which are still paid for punctuality, for keeping tools in good order, for regular attendance, for suggestions leading to improvements in production, for economising in material or fuel, and so on. Frequent attempts to prohibit these bonuses have failed, and they are now regularised by the trustees of labour. The so-called health bonus, which was widely paid during the winter, has been prohibited. The trustees of labour declared that a worker who is in good health and arrives regularly for work does his duty and deserves no bonus. Labour hoarding by employers and payment above the wage rates for the purpose of keeping and getting workers, under conditions of a general shortage of labour, have created serious problems of labour discipline. After several attempts, these practices have now been generally prohibited by the labour dictator, Sauckel.

Independent Artisans.—The small shops of the independent artisans have been forced either to close down or to combine in co-operatives, since labour shortage became the most important problem in Germany's war industry. This process began before the war and was accelerated from the beginning of 1941. Usually independent artisans formed co-operatives aided by their economic organisations. In the building industry the guild of the building artisans formed an "employment company of independent artisans." This central company replaces regional and local co-operatives in the building industries. It takes public orders and organises the combination of small firms for large-scale orders. The distribution of material, costing and the distribution of payments are centrally handled by the new company.

THE BUSINESS WORLD

Coal Mining Companies

LARGELY because of the upward trend in coal prices, the coal-mining industry enjoyed a steady improvement in its financial position during the years preceding the war. This improvement was reflected in the rise in profits and wages recorded by the quarterly assessments issued by the Mines Department. Since the publication of statistics showing the trend of costs and profits was suspended three years ago, it is not possible to ascertain the financial effect of the impact of war upon the industry as a whole with any degree of accuracy.

Broadly, the financial position of the industry has been influenced by three factors. First, the industry has suffered a decline in output since the defeat of France, when the Government allowed many export collieries to shut down. Secondly, when the winter of 1940-41 disclosed a shortage of supplies, the Government introduced a scheme designed to maintain closed pits in working order, and to compensate

June 20th, disclosed a decline in aggregate profits available for dividend from £5,825,000 in 1939 to £5,700,000 in 1940, and £4,363,000 in 1941. But the number of concerns whose shares are quoted on the stock exchanges is comparatively small, and their record is not necessarily typical of the experience of the industry as a whole.

Quite recently, half a dozen fair-sized colliery companies, working in different districts, have published their accounts for the year ended March, 1942, and, since they provide a sample to the investor, it may be of interest to examine their fortunes during the past four years. In the absence of any quantitative information, comparison must be in terms of disclosed profits, and these are subject to important changes in the incidence of taxation, whose effective extent can only be broadly estimated. On the whole, the directors of coal-mining concerns are not among the foremost in willingness to divulge information, during wartime, of earnings before taxation. This may be seen from the table opposite, in which particulars of income for the six companies before and after depreciation and taxation, are summarised for the last four years, together with figures of ordinary share earnings, dividends, prices and yields.

Of the six concerns, it will be observed, only Butterley

INCOME OF COLLIERY COMPANIES REPORTING TO MARCH 31ST
(All Amounts in £'000)

	Butterley	Carlton Main	Don-caster Amalgamated	Manchester Colliery	Powell Duffryn Associated	Yorkshire Amalgamated
<i>Income before Depreciation and Tax (a):—</i>						
1939.....	302	...	217 (b)	...	...	...
1940.....	355	...	428 (b)	...	...	...
1941.....	337	...	382 (b)	...	...	...
1942.....	344	...	421 (b)	...	...	...
<i>Income after Depreciation:</i>						
1939.....	230	...	...	448	...	...
1940.....	279	...	...	323	...	...
1941.....	259	...	...	221	...	...
1942.....	265	...	...	358	...	...
<i>Income after Depreciation and Tax (a):—</i>						
1939.....	174	250	167	318	762	285
1940.....	177	177	306	203	788	259
1941.....	147	136	256	122	576	169
1942.....	149	137	242	208	667	113
<i>Earnings on Ordinary Capital (Gross):—</i>	(%)	(%)	(%)	(%)	(%)	(%)
1939.....	10.8	11.9	1.5	5.3	(d)	...
1940.....	13.1	10.7	7.4	2.7	...	...
1941.....	10.2	10.1	6.6	0.4	...	...
1942.....	13.1	10.2	6.7	4.1	...	...
<i>Paid on Ordinary (Gross):</i>						(Ord. Shares)
1939.....	8.7	10.0	Nil	5.0	...	7.5
1940.....	10.5	10.0	4.0	2.0	...	7.5
1941.....	10.0	10.0	4.0	Nil	...	6.5
1942.....	10.0	10.0	4.0	2.5	...	5.0
<i>Ord. Share Prices:—</i>	(£1 stock)	(£1 stock)	(£1 stock)	(£1 shares)		(£1 shares)
Highest, 1938-41 (c) ..	36/7	22/7½	16/6	19/3	...	22/7
Lowest, 1938-41 (c) ..	22/6	13/4½	8/9	5/9	...	13/7
Present Price.....	28/6	19/0	11/0	9/0	...	15/9
Yield (%) on latest dividend.....	7/0	10/5	7/3	5/6	...	6/3

(a) Other than on dividends. (b) Before depreciation, but after tax. (c) Calendar years. (d) Equity represented by two "participation shares," held respectively by Powell Duffryn Steam Coal and Welsh Associated Collieries.

collieries which had suffered a reduction in demand out of a fund financed by a levy on the industry. Thirdly, the Government has maintained strict control over prices, though it has allowed the industry to pass on to the consumer the greater part of the increase in its costs.

While the experience of different collieries has probably been anything but uniform, there is some reason to believe that its profits have shown a downward trend. The financial results of 59 colliery companies with a paid-up capital of £76 millions, analysed in the *Investor's Chronicle* on

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publishes complete figures of depreciation and taxation, although Manchester Collieries shows its income before tax. If the returns of each of these companies for the last year which fell clear of the war (i.e., the twelve months to March 31, 1939) be expressed as 100, the following interesting comparison is revealed:—

Years to March 31	BUTTERLEY			MANCHESTER COLLS.	
	Income Before Deprec. and Tax	Income After Deprec.	Income After Deprec. and Tax	Income After Deprec.	Income After Deprec. and Tax
1939	100	100	100	100	100
1940	117	121	102	72	64
1941	112	113	85	49	38
1942	114	115	86	80	65

Though the fluctuations in general earning power of the two companies have been different there are two factors common to both—a much less satisfactory comparison between existing and pre-war profits after tax deduction, and a tendency to reduced earnings in the year to March, 1941, after the over-running of Europe and the closure of export markets—from which the latest results afford evidence of a certain recovery.

If the earnings of all six companies, after depreciation and tax, are aggregated, the totals for each year from 1939, respectively, come out at : 100, 98, 72 and 78. In 1940, compared with 1939, three companies showed an increase and three a reduction. In 1941, the profits of all six companies were down. In 1942, four showed an increase (relatively small in two instances) and two a decrease. Allowing for tax factors, therefore, it seems fair to generalise by saying that, after approximately maintaining their earning-power in the earlier months of war, all the companies were hit by the events of the summer of 1940. Last year, however, they lost no further ground on the whole, but slightly improved their position. The totals are somewhat distorted, however, by the figures for Doncaster Amalgamated, whose earning power, for special reasons, was relatively low in the pre-war year. If this company's figures are omitted, the earnings of the other five, after depreciation and tax, for the four years, come out at 100, 90, 64 and 71. The correction leaves the general direction of changes in earning-power between different years unaltered, but somewhat increases the scope of the fluctuations.

Judged by these figures, the total drop in earning-power of these companies since the war, apart from their increased contribution to the revenues of the state, has been less—probably considerably less—than 30 per cent. Some companies have lost more while the Butterley Company, as has been shown, has actually increased its gross earnings, but the average may not be wide of the mark, for the whole slice of the industry which these companies represent. And of the five companies whose shares are directly dealt in on the Stock Exchange two have reduced their dividends, while three have maintained or increased them.

This, it must be admitted, is a relatively good showing for businesses engaged in an industry whose difficulties have been so much in the public eye. Admittedly, some of the companies have always been interested more in the domestic than the export market. But that certainly does not apply to Powell Duffryn Associated—the largest coal-producing unit in the country which before the war had an enormous export business, with selling organisations covering every part of the world. The four-year earnings figures for the holding company are: 100, 103, 76 and 87. Thus, they conform broadly to the general pattern and are, if anything, more favourable than the average.

Possibly the coal industry, with all its tribulations, is less

affected by the severe forms of war taxation than some other trades. Companies paying EPT may be exceptional. And as the "tax" deducted in the companies' accounts generally means "company's tax," as distinct from "shareholders' tax," the heavier incidence of income tax since the war is partly cushioned by the figures. But the testimony of earning-power to the relative success of most of the companies in coping with adverse conditions is striking. For the difficulties have been substantial. In the latest year, the number of workers has decreased and the proportion of older to younger men has increased. Official efforts to bring miners back from other industries have not had particularly impressive results, to judge by the experience of the Butterley Company, which, by the end of June, had been offered 191 underground men and had accepted 177, only 50 per cent of whom had actually resumed work. Up to the same date, the company, which had applied for 255 men from the Army, had had only 45 returned (which "unfortunately were not of the type most likely to increase production"), with six men from the RAF ground staff.

The Government's White Paper made it clear that the industry cannot expect any appreciable accretion to its present labour force or any downward adjustment of workers' average age. Indeed, it may be hard put to it to replace the inevitable wastage on the labour side. Here again, however, the experience of the most progressive companies may be an antidote to extreme depression and an example of what a deliberate efficiency-seeking national policy may achieve. The Butterley Company has increased its production in the latest period, and its collieries are running about 5 per cent, on the average, above the target figures fixed by the Coal Production Council in August, 1941—although at that time not a single colliery was producing the target tonnage "based on previous outputs obtained."

The reason for the improved performance is revealing, and might be written in great capital letters on the walls of the new Ministry of Fuel and Power. The increased output was obtained "as certain development work undertaken some months previously came into production." Have other collieries undertaken similar development work since the war? Again the question may be asked: What might be done if the standard of all collieries were brought up to that of the best?

Meanwhile, the investor's attitude to coal mining shares is highly selective. He attests his recognition of efficient management and assured wartime home demand by valuing some of the coal shares shown in the table on a relatively moderate yield basis as compared with an average of nearly 6½ per cent for coal shares generally, according to the Actuaries' Index—a figure comparing with little under 5 per cent for the general run of industrial shares.

The immediate prospect for the industry as a whole must be conditioned in large measure by the Government's production and price policy. If the efforts made to expand production are successful, its gross return will probably show an increase. But the experience of individual companies is unlikely to be uniform, especially if the Government carries out its declared policy of concentrating output on the most productive seams and pits. There are indications, however, that the Government will extend the application of the Coal Mines (War Levy) Scheme of December, 1940, and that its coal price policy may be modelled on the "central fund" principle adopted in the case of steel, whereby part of the increase in prices will be payable into a fund used for compensating collieries which have suffered, or are likely to suffer, a fall in earnings. In other words, the marginal colliery is to be financed by the more profitable ones. As was pointed out in *The Economist* on August 29th, Mr Dalton, President of the Board of Trade, strongly favours the creation of a central pool from which individual undertakings and districts would be financially relieved according to proved needs. That this is likely to be the Government's policy is suggested by its decision to take over the whole of the proceeds, amounting to £30-£35 millions, of the recent 3s. per ton adoption of such a policy would have a levelling effect on the profits of individual collieries.

After the war, the industry will be faced with a fresh set of problems. What will be the relative demand for coal and temporarily disappeared? What will be the industry's relations, on the administration and capital side, with a State which may be bent on increased control of "essential resources"? But in foreseeing what answer will be given to those perplexing questions, contemporary investors are in no better position than most men.

Finance and Banking

Back to Abundance

With the passing of the clearing banks' making-up period and the distribution of the September 1st dividend money, whatever signs of localised scarcity of credit which may have been apparent last week have disappeared. All the banks have been keen buyers of bills this week, and credit has been in abundant supply, with a certain amount of ¼ per cent money available most afternoons from non-clearing banks. The position has been further eased by the reduced allotment of Treasury bills to the discount market. Its quota at last week's tender fell from 39 to 31 per cent—though this was offset by a rise in the average rate of discount from £1 os. 0.7½d. to £1 os. 2.8½d. per cent. The market syndicate decided to hold its application price unchanged at £99 14s. 1½d., despite the shorter currency of the bills, and following the comparatively successful outcome of the latest tender it will probably adhere to this price during the ensuing three months of 91-day bills. The ease in the short-loan position indicates no further expansion in the bank cash position. This was affected during the week by particularly heavy TDR payments. The banks were called upon to pay £35 millions in this form during the week. The current maturities were appreciably smaller than the nominal figure of £15 millions, as substantial pre-encashments of the current maturities had taken place. The consequent drain in bank cash is reflected in a fall of £14,690,000 in bankers' deposits at the Bank and offsetting an increase of £7,838,000 in public deposits and a reduction of £8,470,000 in Government securities. The seasonal reflow of notes has quickly spent its force, and the latest Bank return shows a further increase of £1,454,000 in the active circulation.

Floating Debt in August

Out of the total debt creation of £257,178,000 for the five weeks to August 29th, covered by the latest monthly debt statement, £142,670,000 was raised on floating debt and £142,670,000 by longer term borrowing. The increase in the floating debt is largely accounted for by the rise of £87,625,000 in ways and means advances from public departments. This movement corrects the fall in this item which occurred over the two preceding months, and must be connected with some rearrangement of assets held by public departments, such as occurs on the occasions on which the National Debt Commissioners effect substantial funding of assets held by the savings banks. The movement in Treasury bills is now confined to the "tap" issue, since the tender bills outstanding are held steadily at £975,000,000. Last month's rise in tap bills amounted to £14,045,000. This item in the floating debt has now ended its persistent and substantial expansion which lasted from the outbreak of the war until last May. The main reason is to be found in the much reduced pace at which sterling area assets are accumulating in London. The new financial agreements with Canada, the virtual cessation of sales of gold and securities to the United States, the abrupt termination of sterling accumulations by Malaya and the Dutch East Indies and the reduced tempo of such accumulations by India, have all contributed to reduce the special investment demand which in the first two and a-half years of war was largely satisfied by the issue of tap Treasury bills. The banks subscribed to £75,000,000 of Treasury deposit receipts in the five weeks covered by the latest return, but in the same period there were £34,000,000 of maturities. Of these £16,500,000 represented pre-encashments. The heavy pre-encashments of TDRs over a period which included no special public demand for Government issues must be connected with the persistent demand for tax reserve certificates. Of these, £44,810,000 were issued in the five weeks to August 29th, while the total redeemed during this period was £9,399,000, the largest monthly figure yet recorded. The mechanism of these tax reserve certificates is now in full operation, but it is evident that the attractiveness of the terms on which they are issued is causing an ever-increasing volume of funds to be invested in them. The total outstanding on August 29th was £346,880,000. The net receipts from this source, £35,411,000 in the last preceding five weeks, were larger than those provided by

any other tap medium or long term loan of the Government.

Financing Expenditure

The following table summarises the Exchequer returns of the financial year to date (August 29th) and shows the respective shares of revenue and borrowing in meeting expenditure:—

£000			
Total ordinary expenditure ..	2,157,625	Total ordinary revenue	979,813
New Sinking Funds	3,223	Loans raised:—	
Loans repaid:—		3% Def. Bonds (net)	47,121
National Savings Bonds	-2,507	3% Savings Bonds 1955-65 ..	46,080
Increase in balances	195	3% Savings Bonds 1960-70 ..	124,075
		2½% Nat. War Bds. 1949-51 ..	154,298
		3% Funding Loan 1959-69 ..	121,650
		Nat. Savings Certs. (net) ..	72,700
		Tax Reserve Certs. (net) ..	155,365
		"Other debt" (net)	179,494
		Floating debt (net):—	
		Treasury Bills	23,005
		Bank of Eng. Adv.	59,270
		Public Dept. Adv.	199,000
		Treasury deposits	199,000
		Miscellaneous receipts (net) ..	1,679
			£2,163,550

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

US Silver "Lend-Lease"

The past week has been an eventful one in the world silver situation. From last Monday the US Treasury's price for imported silver was raised from 35 cents to 45 cents. The expected adjustment of the New York open market price for foreign silver duly followed, from 35½ cents to 44½ cents per fine ounce. Last November the New York open market raised its buying price for foreign silver from 34½ to 35½ cents, and its selling price increased correspondingly from 35 to 35½ cents. The Treasury's price remained at 35 cents, but whereas before last November much of the silver bought by the open market was resold to the Treasury, no purchases of foreign silver have since then been made by the Treasury. The industrial demand for silver has been more than adequate to take from the open market all the silver it could offer at 35½ cents. That figure became the "ceiling." The new ceiling, as fixed by the Office of Price Administration, is 45 cents. That means that the open market's bid price must be ¼ cent below if the normal turn between buying and selling quotations is to be maintained. The point which remains to be decided is whether, under the new arrangement, any foreign silver will make its way to the open market. As things stand at present, it looks as though all the imported silver will make its way to the Treasury—thence to be lent-leased to American industry. The Treasury has already had to come into the picture as provider of silver for industrial uses. This week it announced that its entire stock of non-monetary silver—1,350,000,000 ounces—was being lent-leased to industry. This is the silver which is not at present used as backing for silver certificates. The position may well arise when even this huge stock of silver will have been fully used and when the silver used as backing for silver certificates may be urgently required for industrial purposes. It is known that the authorities concerned are already racking their brains to devise the means by which monetary silver could be lent to industry and yet remain technically available for its monetary purposes. The easiest solution of this problem would be to withdraw silver certificates from circulation and replace them by Federal Reserve Notes for whose backing there is more than enough surplus gold. The opposition of the silver bloc in the Senate may, however, prove too strong for this comparatively simple solution, and we may yet see US soldiers mounting guard over the war factories in which the Treasury's stock of monetary silver is being temporarily utilised for electric wiring or in some other fairly easily recoverable form.

Mexico and the Silver Price

The US Office of Price Administration, by whose order the increase in the import price of silver was announced,



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has issued an interesting explanation of this move. "The purpose of this increase," it was explained, "is to permit the Mexican Government to levy a special emergency tax and to provide a larger return to the Mexican silver industry to stimulate production, thus increasing the output of Mexican silver available for purchase by the United States." The special tax and the increased dollar proceeds from the sale of silver will thus serve to finance both in their domestic and external aspects whatever payments the Mexican Government is to make in respect of expropriated oil properties. The tax will not be equal to the whole of the increase in the price, and this should appreciably stimulate the production of silver in Mexico. This should make it possible for that country to sell to the United States more than the quota of 6,000,000 ounces a month (not 60,000,000 ounces as was printed in *The Economist* last week) provided by the Mexican-American agreement of last November.

* * *

A Landmark in British Banking

The publication of the separate clearing bank returns for August opened this week with an interesting record.

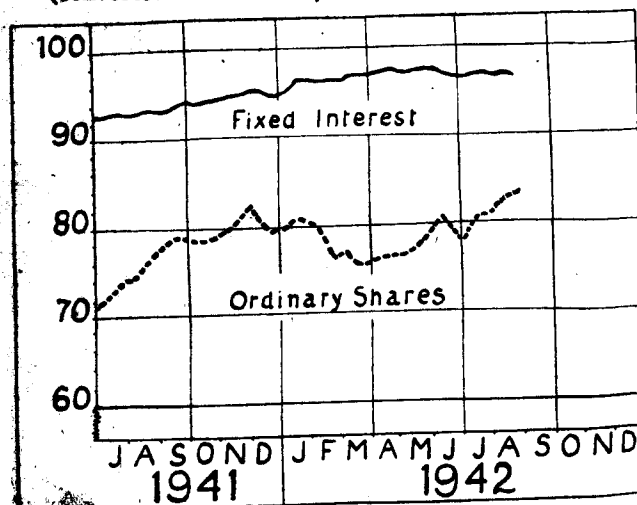
Investment

August Records

Right to the very last, the prices of industrial equities soared upward during August. The *Financial News* index of 30 ordinary shares moved to 83.7 on the last day of the month and to 83.9 on September 2nd, successive new high levels since June, 1939. Meanwhile, gilt edged, which have generally stagnated for the past few weeks, staged advances

FIXED INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935-100)

Financial News indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares



this week for selected undated issues which raised 3½ per cent War Loan and Local Loans to the highest levels of the war, and 4 per cent Victory Bonds to the highest level since 1937. Market ability to look on the bright side of news which continues to be distinctly two-edged has been reinforced by a number of highly generous dividend announcements, notably those of Burmah Oil and Guinness.

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The Midland Bank figures show, for the first time in the case of a British joint stock bank, deposits in excess of £700,000,000 and assets of more than £750,000,000. Last month's expansion in the case of this bank does not appear, on the evidence of the returns available so far, to have been the universal experience. The counterpart of the increased resources is to be found mainly in an expansion of TDRs, cash, bills and short loans. In other words, the liquidity of the position has considerably increased compared with the July 29th figures. The Midland Bank has for many years waged friendly competition with the Chase National Bank of New York for the distinction of being the largest bank in the world. Unfortunately, since the beginning of the war, the rate of exchange has moved so sharply against any sterling institution as to deprive the competition of much of its previous keenness. The latest Chase figures, those for June 30th last, gave totals of \$3,595,000,000 for deposits and \$3,869,000,000 for total assets. At the current rate of exchange this gives sterling equivalents of £899,000,000 and £967,000,000 respectively—well out of reach of the latest Midland Bank figures. But at the nominal parity the Chase totals would give sterling equivalents of about £720,000,000 and £775,000,000 respectively, at which levels the competition would still have reality.

The general impression that the existing level of taxation is not, after all, going to prevent a number of solid, and not so solid, concerns from raising distributions to the shareholder has done at least as much to keep the trend going up as has analysis of the war situation. Serious, potentially dangerous, news, such as the new Rommel offensive, is met by relative stagnation and some marking down. Good news, news which is good on balance or news which is indifferent has, since the end of last June, been sufficient to restart the upward movement, temporarily checked by the fall of Tobruk. With closed markets, minimum prices and a shortage of stock, only a severe shock to confidence can halt the upward trend. The recent advance in leading gilt edged issues is once more reviving speculation as to whether the Treasury may not find the times apt for a new Government issue.

* * *

Lower Industrial Yields

The details of the general upswing in industrial equities last month are provided by the *Actuaries' Investment Index*. The movement was steady rather than spectacular. The biggest rise in the price indices was no more than 4.9 for coal; the smallest, excluding banks and insurance companies,

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices			Average Yields			
	Aug. 26, 1941	Mar. 31, 1942	July 28, 1942	Aug. 25, 1942	Aug. 26, 1941	July 28, 1942	Aug. 25, 1942
2½% Consols	144.9	147.5	146.9	147.2	3.08	3.04	3.03
Home Corps. (4)	137.5	141.3	141.6	141.9	3.39	3.30	3.29
Total Debentures (43) ..	112.6	117.3	117.6	117.7	4.22	4.04	4.03
Total Preference (101) ..	97.4	103.5	104.2	104.2	4.78	4.54	4.55
Aircraft Manufact. (5) ..	53.4	49.1	55.8	58.4	10.81	9.67	9.23
Building Mats. (6)	69.2	63.0	75.5	73.5	4.15	3.92	3.95
Coal (8)	83.2	80.2	77.3	82.2	6.46	6.80	6.39
Cotton (5)	25.6	28.0	32.5	35.7	3.12	4.09	3.81
Iron & Steel (18)	53.5	52.1	55.4	58.1	6.24	6.27	5.96
Home Rails (4)	40.7	43.1	48.9	47.6	7.01	7.49	7.59
Shipping (7)	18.9	22.0	21.6	22.2	4.57	4.64	4.53
Stores and Catering (18) ..	41.8	43.5	49.6	50.6	4.79	4.05	4.22
Brews. and Dist. (20)	102.9	113.3	119.9	124.1	5.61	4.97	4.87
Miscellaneous (20)	58.7	58.5	59.1	60.0	4.99	4.78	4.69
Industrials	57.1	58.8	62.1	63.5	5.35	5.04	4.95
All Classes (159)	57.1	58.8	62.1	63.5	5.35	5.04	4.95

was as little as 0.3 for gas. There were three falls during the month of 2.0 for building materials, 1.7 for electric light and power, and of 1.3 for home rails. After coal-mining shares, the next biggest rises were realised by

Company Notes

Higher Guinness Dividend

The restoration of the total Guinness payment to the pre-war level of 29 per cent was a pleasant surprise for the market. Ordinary stockholders are to receive a final dividend 2 per cent higher at 13 per cent and a bonus 1 per cent higher at 5 per cent, making, with the 11 per cent interim, a total for the year to June 30th last of 29 against 26 per cent. Stockholders received 29 per cent in each of the four years up to June 30, 1938, 26 per cent in 1938-39 and only 25 per cent in 1939-40. The rise in the distribution is not, however, based on any improvement in disclosed earnings, after tax which are reduced from £1,568,972 to £1,430,447. The transfer to maintenance and depreciation is some £50,000 lower at £223,715, so that the fall in equity earnings is less marked, and the earned rate is reduced only from 30.5 to 30.2 per cent. The following table shows three years' trend of earnings and allocations:—

	Years to June 30,		
	1940	1941	1942
Profits after tax	1,721,971	1,568,972	1,430,447
Maintenance and depreciation	222,488	273,721	223,715
Fees, etc.	14,240	13,903	14,679
Preference dividend	69,000	64,500	60,000

Ordinary shares:—

	1940	1941	1942
Earned	1,416,243	1,216,848	1,132,053
Paid	1,140,000	1,036,875	1,087,500
Earned %	31.1	30.5	30.2
Paid %	25	26	29

Contingencies	275,000	200,000	100,000
Carry forward	877,554	857,527	802,080

The balance-sheet shows a decline in stocks from £2,169,245 to £1,950,477, accompanied by a rise in debtors of more

Defence Bonds—New Series

The latest issue of 3 per Cent Defence Bonds—the third since the bonds were first placed on sale in November, 1939—is now on offer. Its advent draws attention to the remarkable decline in the popularity of Defence Bonds during the past year. It is understood that a drive to bring the new series back into public favour is to accompany its issue. A year ago, the total sales of defence bonds had brought in £330 millions, and National Savings Certificates £348 millions. But up to August 25 this year the totals were £486 millions and £601 millions respectively, a much greater disparity. In the week ended August 26, 1941, the sale of 3 per Cent Defence Bonds brought in £2,805,000, while that of National Savings Certificates yielded £3,201,000. In the latest week, that ended August 25, 1942, Defence Bonds brought in £1,670,000, and Savings Certificates £4,186,000, an even more striking gap. The results in the latest week are not exceptional. It is six weeks since the yield from the sale of Defence Bonds exceeded £2,000,000, while in none of those weeks did the sale of Savings Certificates bring in less than £3,887,000. Nor was the greater popularity of Defence Bonds a year ago an exception. Only once in the months of July and August, 1941, did the spread between receipts from the two classes of issue exceed £1,000,000, and on one occasion, the week ending July 8, 1941, the yield from sales of Defence Bonds exceeded that from sales of Savings Certificates. It is possible that the comparison is obscured by an increase in the amount of principal repaid on Savings Certificates during the past year—the total is some £79,000,000 since the issue of the current series in November, 1939—so that net investment is substantially lower than the weekly figures suggest. The reason for the apparent shift in taste is less easy to find than the reason for the existing preference for Savings Certificates. It is generally recognised that Defence Bonds, although admittedly a bargain among Government issues for investors who hold the limit of Savings Certificates, have, from the standpoint of the large investor, the disadvantage of not being marketable. For the investor who does not hold the limit of Savings Certificates, Defence Bonds are unquestionably less profitable, since the yield is only 1½ per cent, tax free, against some 3.36 per cent, tax free, on certificates held to redemption. The absolute decline in subscriptions to Defence Bonds does suggest a shift in public taste. Probably, the recent official propaganda to drive home the realisation that certificates are tax free is preventing any small saver not holding the limit from buying Defence Bonds. It is also possible that the small savings movement is now supported by more new and genuinely small savers, while those who have reached the £375 limit for certificates tend to rest on their oars.



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than £400,000 to £2,678,865, and in the total of cash and investments from £6,995,116 to £8,854,116. On the liabilities side there is a rise in current items of less than £2,000,000 from £5,629,772 to £7,557,353. It is probable that the decline in disclosed income for the sixth year in succession is again due mainly to increased tax liability. Despite the effect of the increase in the beer duty last spring, it is unlikely that there has been any decline in demand. Transport costs must have increased further in the past year, but the concern is fortunate in being less seriously affected by the labour shortage than a number of its competitors. The increase in dividend, despite the fall in the free surplus, implies considerable optimism about the future. The £1 ordinary stock jumped 5s. 6d. on the announcement. At the current price of 103s. 3d. ex dividend there is a yield of £5 12s. 4d. per cent.

* * *

Morris Motors—No Change

The announcement of a final tax-free payment of 7½ per cent, making a total of 17½ per cent tax free for the calendar year 1941, gives away no secrets. The payment is the same as for 1940, when the directors changed from a less-tax basis of payment of 40 per cent in the previous year. Recent motor results have suggested that, despite lower profit margins last year, turnover has generally increased sufficiently to permit net earnings to be approximately maintained. The announcement was not, however, a foregone conclusion in the case of Morris, the 1940 payment having been under-earned after providing for ARP expenditure. There was, in consequence, a draft of £100,000 on dividend equalisation account, reducing it to £75,000. The 5s. stock, at 33s., yields £2 15s. 6d. per cent, tax free.

* * *

Whitworth and Mitchell Progress

The Whitworth and Mitchell accounts to June 30th last make a rather better showing than those of other recent textile results. The jump in total income from £112,572 to £167,553 understates the improvement, since receipts from investments are shown net at £1,531 against a gross sum in the previous year of £4,143. In the latest accounts, all dividends are also shown net, whereas in previous years only the final ordinary payment was shown on this basis. This change in practice accounts in part for the jump in disclosed tax liability from £45,000 to £125,000, including an increase in EPT from £40,000 to £100,000. There has, of course, been a real rise in liability due to the increase in gross income. The total payment on ordinary capital, maintained at 7½ per cent, is covered by an earned rate of 8.6 against 9.1 per cent, so that there is a modest addition to the carry forward, which is raised from £9,222 to £10,620. The balance sheet shows a small decline in net liquid assets from £710,036 to £696,670, due mainly to a reduction in debtors from £271,557 to £138,712. Stock is also lower at £299,093 against £333,936. The cash position is very strong, with cash holdings at £107,594 against £76,884 and tax reserve certificates of £200,000 against nil. The decline in debtors is due, as the chairman, Mr L. E. Walsh, points out, in part to prompter payment, but in part to a contraction in turnover in the latter half of the year. The fact that turnover was higher for the year as a whole is due to the variety of the company's output and to the relatively slight restriction on rayon production, while exports absorbed a higher proportion of total output. Mr Walsh considers that turnover will be lower in the current period, and it is clear that the standardisation of fabrics for the home market, imposed by the utility scheme, will not work to the advantage of concerns with good will derived from branded lines. As far as the ordinary shareholder is concerned, the accounts show an adequate margin of cover for the equity payment. The £1 ordinary shares at 19s. 4½d. ex dividend yield £7 14s. 10d. per cent.

NATIONAL BANK OF INDIA LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the Bank will be closed from the 9th September to 22nd September, both days inclusive.

By order of the Board,
R. L. HIRD, London Manager.

26, Bishopsgate, London, E.C. 2.
1st September, 1942.

Calico Printers' Arrears

The preliminary statement of Calico Printers for the year to June 30th last shows a reduction in net profit from £220,564 to £174,925, after meeting debenture interest and providing £315,091, against £335,395, for depreciation and repairs. Despite this reduction, the management has decided to distribute a dividend for the one and a-half years ended June 30, 1939, on the 5 per cent cumulative preference stock. This payment will absorb a gross sum of £226,207, so that the carry forward is reduced from £110,953 to £59,670. The payment leaves three years of preference arrears outstanding, requiring £452,416 gross, before the ordinary stockholders are within sight of a dividend. The last payment on ordinary capital was the 5 per cent distributed for the year 1928-29. The decision to pay off one and a-half year's arrears, the highest distribution on preference capital in the last decade, despite the decline in net earnings, is in line with a number of recent increases in dividends. The governing factor is probably the absence of a further rise in the standard rate of tax for the current financial year. Concerns which last year conserved undistributed profits at an unusually high level against a fresh increase in tax liability now feel justified in reducing their carry forward. In the case of Calico Printers, the increase in the preference payment is at the expense of a repetition of the transfer of £50,000 to war contingencies reserve, provided in each of the two previous years, and the liability for war damage insurance is again drawn from reserves. The £1 ordinary stock now stands at 8s. 9d.; the £1, 5 per cent cumulative preference stock, at 16s. 6d., yields £9 10s. 5d. per cent on the latest 7½ per cent payment.

* * *

Anglo-Iranian Higher Profits

The Anglo-Iranian preliminary statement shows a rise in net profits for 1941 from £2,841,909 to £3,292,315. Extra depreciation receives £625,000 as in the previous year, so that, after meeting preference service, there is a jump in the surplus for ordinary capital from £1,145,675 to £1,596,081, representing an earned rate of 8.3 against 6.4 per cent. Thus, the decision to raise the ordinary payment from 5 per cent, paid in the two previous years, to 7½ per cent, is fully justified, and the carry forward is raised from £1,101,351 to £1,187,119. No doubt the concern profited last year from higher demand in the Middle East. The announcement of the increase in dividend caused less surprise and enthusiasm in the markets than the Burmah Oil announcement that the final payment would be cut by as little as 2½ per cent. The Burmah Oil decision probably owes much to the rise in payment announced by Anglo-Iranian, of whose ordinary stock the Burmah company owns more than £4,000,000. The yield on the £1 ordinary stock at only £3 4s. 2d. per cent on the current price of 47s. 6d. argues considerable confidence in post-war prospects.

* * *

Burmah Oil Final

The unexpected news that the Burmah Oil final dividend is to be cut by only 2½ per cent caused a spurt in the market price of the ordinary stock of 3s 1½d. With a final of 7½ against 10 per cent, the total payment for 1941 amounts to 12½ against 15 per cent in 1940, and 21 per cent in 1938 and 1939. There is, of course, no reason to expect a severe drop in the profits earned last year. The disturbance to trading conditions in the Far East only started with the Japanese entry into the war last December, and, throughout the year in question, the company remained in uninterrupted control of its oilfields and installations in Burma. Total income is, however, unlikely to exceed the £3,769,498 earned last year—the lowest level since 1935. Since the close of the financial year, all the company's interests in Burma have fallen into enemy hands, and a statement issued last April announced that substantial destruction had been carried out to prevent exploitation by the enemy. Receipts in the current year will be limited to investment income—the concern has large holdings in Shell Transport and Trading and in Anglo-Iranian—and possibly to profits earned before the Japanese occupation. Thus, the payment of more than nominal dividends, until the war is won, remains doubtful despite the generous distribution in respect of 1941. The £1 ordinary stock, at 36s. 3d. ex dividend, yields £6 17s. 11d. per cent.

Industry and Trade

Taking Stock

After three years of war, British industry stands mobilised and is delivering munitions and other goods of war at a rate never achieved during the last war, greater than that of any other country per head of the employed population and only just surpassed in total by the giant strides of the American colossus. The target of industrial mobilisation in war economy is high: all the available resources, human and material, save those needed for the provision of the essential needs of the civilian consumer, must be turned over to war work. It has now been virtually done. The last reserves of able-bodied men and women are now being rapidly absorbed, civilian production has been cut almost to the bone. "We are reaching the stage," Mr Dalton said to members of the Manchester Chamber of Commerce last Wednesday, "when further cuts in civilian supplies are becoming less and less possible." Compared with the danger confronting Great Britain, especially in the days when it was the only large arsenal of the democracies, the progress of industrial mobilisation often seemed dreadfully slow and unmethodical. But, looked at in retrospect, the blending of the empirical approach with the plans hastily conceived three years ago has produced remarkable results. For example, manpower policy was designed to produce the men and women needed by the Services and by war industry with a minimum of dislocation. The initially crude list of reserved occupations, revised as needs changed and finally superseded by the method of individual deferment, provides evidence of careful and successful planning. Again, the method of allocating scarce raw materials and machine tools on the basis of a national production programme has been fairly successful. The construction of more factories, the adaptation of existing plant and the concentration of civilian production into fewer units have proceeded smoothly, on the whole. Both production and transport showed remarkable resilience during the heavy air raids of 1940-41. Yet, in spite of all the achievements on the industrial front, there have been many shortcomings and serious delays which might have been avoided; before the fall of France the pace of mobilisation was lamentably slow. Even now, there are many ragged edges that remain to be smoothed. During the fourth year of war, which may well be the decisive one, British industry must harness all its ingenuity in delivering munitions at top speed, with the emphasis on flexibility and an increased yield per man hour.

* * *

Railway Wages

Reports that the National Union of Railwaymen would follow the example of the Railway Clerks' Association by accepting the Railway Executive Committee's wage offer were wrong. Last Tuesday, the special national delegate conference of the NUR rejected the companies' offer which, with certain exceptions, provided for an additional 4s. a week for men and 3s. a week for women. Apparently some of the delegates described the offer as "quite inadequate, having regard to the responsibilities of railway workers in war conditions." The reason given for the rejection is as ingenious as it is vague, and it offers a vista of large possibilities for other unions. How about the sailors who are responsible for the transport, at great personal risk, of a large part of the nation's food and of the raw materials needed to feed the munition factories? And how about the workers in many other essential industries, and the members of the fighting forces who have to keep the enemy at bay? The case is now to go to arbitration by the Railway Staff National Tribunal at which the NUR will presumably press its full claim of an additional 10s. a week.

* * *

Fatal Industrial Accidents

The entry into industry of large numbers of inexperienced workers has, not unnaturally, brought with it a substantial increase in the incidence of accidents. Unfortunately, there is no evidence revealing the extent of the increase in non-fatal accidents, but the numbers of fatal accidents, classified by industry, are published monthly in the *Ministry*

of Labour Gazette. The totals for the first seven months of the years 1939, 1941 and 1942 are shown in the accompanying table. The increase in the war years is large, but not, perhaps, as great as might have been expected. The remarkable fact emerges from the totals of a decline in

FATAL INDUSTRIAL ACCIDENTS

	Jan.-July, 1939	Jan.-July, 1941	Jan.-July, 1942
Mines and quarries.....	481	667	548
Factories and workshops.....	580	1,026	857
Railway service.....	126	197	180
Total.....	1,187	1,890	1,585

1942, compared with 1941. The figures speak well for the efforts which have and are being made to reduce industrial accidents, although they provide no excuse for relaxation of the measures taken.

* * *

Coal for Electricity

During the year 1937/38, the consumption of coal and coke by the generating stations of authorised undertakings was 14 million tons, equivalent to less than eight per cent of total home consumption. In addition, the electricity supply industry used small quantities of oil and other fuel. In view of the need for economy, the distribution of the electricity sold by authorised undertakers among the principal categories of consumers is of considerable interest. In the absence of current statistics, the distribution of consumption is given below for 1937/38:—

DISTRIBUTION OF ELECTRICITY SOLD IN 1937/38

	Million Units	% of Total
Lighting, heating, cooking.....	7,348	38.1
Power.....	10,422	54.1
Public lighting.....	341	1.8
Traction.....	1,151	6.0
	19,262	100.0

The table shows that less than two-fifths of the total number of units sold was used for domestic purposes and that well over one-half was used for power by industry.

* * *

World Cotton Consumption

The New York Cotton Exchange Service has published tentative estimates of world cotton consumption for the season which ended last July. These are given in the accompanying table, together with figures for the three

COTTON CONSUMPTION
('000 bales)

	1938/9	1939/40	1940/41	1941/42
United States.....	6,858	7,784	9,722	11,300
United Kingdom.....	2,690	2,993	2,110	1,742
Europe, excl. Russia..	5,679	4,177	1,984	685
Russia.....	3,765	4,011	3,289	3,000
Orient.....	7,984	7,576	7,170	6,327
Others.....	1,531	1,945	2,267	2,752
World Total.....	28,507	28,486	26,542	25,806

preceding seasons. In view of war conditions, world consumption has been remarkably stable. The decline in European consumption has been partly offset by the expansion in American consumption. The United States consumed almost exclusively domestic cotton—only quite recently consumption of "outside growths" has shown a certain improvement. World consumption of American cotton has increased: in 1941/42 the total was 12,355,000 bales against 11,249,000 bales in 1938/39. World consumption of "outside growths" fell from 17,258,000 bales in the last pre-war season to 13,451,000 bales in 1941/42.

(Continued on page 315)

COMPANY MEETINGS

FURNESS, WITHEY AND COMPANY,
LIMITED

DIVIDEND MAINTAINED

LORD ESSENDON'S STATEMENT

The fifty-first ordinary general meeting of Furness, Withy and Company, Limited, was held, on the 2nd instant, at Furness House, London.

The Rt. Hon. Lord Essendon, J.P. (chairman of the company), presided.

The following statement by the chairman, circulated with the report and accounts, was taken as read:—

The position as disclosed by the accompanying accounts will, I feel sure, be satisfactory to stockholders. The net profit, after making provision for taxation, amounts to £603,383, a decrease on the previous year of £61,688, which is accounted for by a corresponding reduction in the earnings of the ships as compared with those of the previous year.

After providing £300,000 for depreciation, and transferring £100,000 to the fleet replacement account, the directors recommend the payment of a dividend on the ordinary stock of 6 per cent., less income-tax, which is the same distribution as the previous year, leaving a balance of £172,097 to be carried forward to next year's accounts, as compared with a similar amount brought in.

CHAIRMAN'S VISIT TO U.S.

A few weeks ago, whilst on a hurried visit to the United States, I had the opportunity of seeing our New York organisation under the guidance of Mr Henry B. Whitely, our resident director in that country, and I am glad to report that they were in full swing and doing a huge volume of work most useful to the war effort. In regard to other matters, I noticed amongst those with whom I came into contact a grim determination to leave nothing undone which could further the ultimate victory of the Allies. A justifiable consciousness of their power of production seems to be growing, and as you will without doubt have read, their peace-time plant is everywhere being converted to war-time needs. This, and the building of their ships, is being carried out with a rapidity and thoroughness which is both arresting and amazing.

AGREEMENT WITH GOVERNMENT

It has been customary for me to make some remarks on the general shipping situation, but I am sure you will agree that this is not the time to indulge in any forecast as to the future of the industry. As I mentioned last year, shipowners are wholeheartedly devoting all their energies towards the quick turn round of ships, and so far as the industry itself is concerned, they rely on the promise given by the Government that they will recognise "the necessity of maintaining the British Mercantile Marine in adequate strength and in a position of full competitive efficiency."

As a step in this direction, the Ministry of War Transport have agreed that the industry should acquire from the Government the ships which have been, and are now being, built in this country on Government account. Objections to this policy have been voiced in certain quarters. From the shipowners' point of view it is perhaps unfortunate that under the scheme, notwithstanding the fact that the purchase price will be reduced by the appropriate amount of depreciation applying to the intervening period, delivery to the shipowner is deferred until after the cessation of hostilities. Had they been allowed to take delivery forthwith it would have been possible to accumulate additional funds towards the further replacement of lost tonnage. I think the objections to this scheme, to whom I have referred, are somewhat inconsistent, because after the war the general criticism was that

shipowners sold out instead of putting the proceeds of vessels lost into new ships. And now it is objected that the reverse policy of allowing the industry to utilise the money they have available for the purpose is equally incorrect.

REPLY TO CRITICISM

The criticism, to which I have referred, after the last war is only partially correct, because whilst it is true that a few owners sold their ships, the industry generally did go in for a large replacement policy, so much so that, as a whole, shipowners spent £280,000,000 on fresh building as against £150,000,000 received for ships that were lost, and this unexpected increased cost was entirely due to the pernicious cost and percentage contract, which, at that time, was the only basis under which it was possible to get vessels constructed. The effect of this policy was that owners had to pay a fixed amount for profit and establishment charges and be responsible for all increases in costs after the date the contract was entered into. It was in order to eliminate any possibility of shipowners selling out after this war that an agreement was entered into with the Ministry of Shipping, as it then was, and the shipping industry that when vessels were lost by war risk the amount to be paid to the owner over agreed periods would only represent the pre-war entered value of the vessel in his War Risk Association, and the difference between that amount and the value of the ship at the date of loss should be held by the Treasury to the credit of the owner, only to be released when that sum, plus the amount originally received in cash, is invested in new tonnage. Therefore, as I say, the agreement in regard to acquiring Government ships is only carrying out the policy above referred to.

NATIONALISATION OR PRIVATE ENTERPRISE

Any policy for the retention of the ships by the Government to be operated in competition with the British shipping industry would be a poor return for all that it has done in past years in face of tremendous difficulties to maintain the standing of the British Mercantile Marine. I have always maintained, and I make no apology for repeating it, that nationalisation of any industry is only justified:—

- (1) if it can be shown that the industry in question has failed to provide for national needs;
- (2) if the Government can do this more efficiently and more economically than individual enterprise.

Are we to say that private enterprise, as in the case of public companies, ceases to be private enterprise when applied to the individual in his efforts to improve his remuneration and station in the ordinary walks of life, and that it is to be condemned in the one case and glorified in the other? In any walk of life a lack of initiative means a corresponding lack of efficiency, and human nature is so constituted that whenever lack of incentive comes in at the window, efficiency and initiative go out of the door.

However, the deliberation of these matters and the controversy for the preservation of private enterprise must be deferred until the war is won.

I desire in closing to voice once again the deep admiration which we all feel for the manner in which our merchant seamen carry out their duties. The courage they display in the face of constant danger arising from enemy action in the air, on the sea, and under the sea, is beyond praise. The report and accounts were unanimously adopted.

ASSOCIATED BRITISH
PICTURE CORPORATION,
LIMITED

INCREASED NET PROFIT

The fifteenth ordinary general meeting of the Associated British Picture Corporation, Limited, was held, on the 3rd instant, in London, Mr A. G. Allen, D.S.O., M.C. (the chairman), presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts:—

The net profit of the group applicable to the corporation has increased by £214,403, from £192,263 to £406,666, as a result of the increase in trading profits and the decrease in the charge for interest.

The available profit, after providing for all charges and expenses, and bringing in £109,351 brought forward, is £515,946. The recommendation of the directors is that £100,000 should be transferred to general reserve and that a final dividend of 7½ per cent. actual, less tax, be paid on the ordinary shares, making 15 per cent. for the year, leaving £175,946 to be carried forward to next year.

IMPROVEMENT IN BUSINESS

As a whole, the entertainment industry has made a splendid recovery from the effects of air raids, and public demand for healthy recreation is continuing to assert itself. Motion pictures are generally acknowledged to be rendering a major contribution in supplying this essential service, and it is also gratifying to know that the cinema is playing an ever-growing part in the life of every community by co-operating to the fullest extent with such national and local campaigns and drives as are launched to further the war effort. I am pleased to report that our cinemas have derived their full share from this improvement in business.

The recent doubling of the Entertainment Tax had an initial reaction on attendances throughout the entire industry, but the adverse effect is already wearing off.

A serious problem with which we have to contend is that of repairs and of maintenance of the cinema properties. We are fortunate, however, in having a department with a skilled staff whereby the best results are obtained from the limited amount expended. It is in this connection that your board has again considered it prudent to provide a substantial sum for a deferred repairs account.

At no time has there been any interruption in our film supplies from American producers, and there is no indication that America's entry into the war will lead to curtailment in production in the United States for some time to come.

PRODUCTION ACTIVITIES

Notwithstanding all difficulties, we have carried on our production activities at Welwyn Studios and we intend to do our utmost to keep the studios in operation. We have secured several important screen properties, but no picture will be undertaken without careful analysis of its revenue-earning possibilities in comparison with cost. We shall pursue a vigorous policy, combining the creative ability of our production organisation with our exhibiting organisation's knowledge of audience requirements, and in this way we look forward to producing a number of high quality British pictures with real box-office value.

It is gratifying to report that the trading results of the corporation during the current financial year have been fully maintained. As to the future, we must all be conscious of the dangers and hazards which lie ahead, but insofar as our business is concerned, I have no doubt that our best insurance against all risks will be to pursue a balanced policy of careful management and to do everything in our power to build up the financial stability of this great enterprise, so that, whatever problems we are called upon to face, we shall have the requisite reserve of strength to overcome them. The report was adopted.

(Company Meetings continued on page 316)

(Continued from page 313.)

This country has, however, relied to a great extent on American cotton. There is every likelihood that the trends in international cotton consumption apparent in the last three years will be maintained during the war. In the United States, consumption is still forging ahead and preliminary estimates for the current season exceed 13,000,000 bales. In Britain, consumption may have almost reached its minimum, but on the European mainland, cut off from all major sources of supply and with its reserves almost exhausted, staple fibre has taken the place of cotton. Russia's chief producing regions are still intact, but some of the most important manufacturing centres have been either lost or isolated. In the Far East, Japan's entry into the war has yet to exert its full influence, and consumption in other areas continues upward. On the whole, world consumption of American cotton will continue to be favoured despite the shrinkage of United States raw cotton exports. The prospects for outside growths are bleaker than ever. Despite the high United States estimate for the current cotton crop, world production of cotton in 1942/43 is expected to fall by more than 4,000,000 bales to just over 23,000,000 bales and may even prove smaller than the current world consumption. In view of the record stocks of outside growths, such a development would not be unwelcome.

Children and the Clothes Ration

Children of certain ages are to be given extra coupons in addition to the normal clothing ration of 60 coupons. The effect of the additions will be to make a child's ration vary according to age, in the following manner: Children born between June 1, 1924, and December 31, 1925, will have 70 coupons; between January and July, 1926, 80 coupons, and between August, 1926, and December, 1928, 90 coupons. All younger children have their 70 coupons, and those who weigh 7 st. 12 lbs. or more, or who are 5 ft.

3 in. or taller, on or before October 31, 1942, may claim an extra 20. Like adults, children have, on the whole, fewer coupons to spend in the current period. In the first year of rationing, most of those of comparable ages had 106 instead of 90, and some had 86 instead of the present 80. Children of the June, 1924, to December, 1925, group are getting four coupons more than those of similar age did in the previous rationing period. Presumably the experience of last year has led to this comparative increase. Last week the date on which the third block of coupons becomes available was made known. They may be used from April 1, 1943. A warning was issued at the same time that new coupons may not necessarily be issued on August 1, 1943, which was the date originally announced for the beginning of the third rationing period. It will be unfortunate if the current period has to be extended; but the coat must be cut according to the cloth.

No Flowers By Rail

Mr Middleton, in giving good advice to the allotment holder and gardener on vegetable-growing, exhorts his listeners not to give up entirely the raising of flowers. After November 1st, when the ban on the transport of flowers by rail comes into force, the few cut flowers in shops of large towns will be within the reach only of the very rich. Small towns and villages where flowers are locally grown will probably be in a favourable position. Growers for the market have had their flower acreage cut by half, and a further cut is to be imposed on November 1st, which will reduce acreage to a quarter of the pre-war size. Fortunately, flower-growers can turn to the production of vegetables without undue difficulty. Those who will suffer most are the middlemen and retailers who sell nothing but flowers. Most of them will inevitably be forced to close down. The public will accept the new loss cheerfully, but the lack of flowers for weddings and other celebrations, and for funerals, will cause many pangs.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

ALTHOUGH the opening of the new campaign in Egypt restricted activity in the markets, the outstanding influence in all sections continues to be the acute shortage

COMPANY MEETINGS—Continued

GREAT UNIVERSAL STORES,
LIMITED

The twenty-fourth ordinary general meeting of the Great Universal Stores, Limited, was held, on the 26th ultimo, in London.

The following are extracts from the statement by the chairman, Sir Archibald Mitchelson, Bt., circulated with the report and accounts:—

During the past year we have experienced the benefit of the developments which have taken place over a number of years under the present management of the company. We believe, however, that the full results of this policy are yet to be realised when the war is over and we return to more normal conditions.

The combined trading profit for the year amounts to £685,602 as compared with £489,001 in the previous year. We recommend a final dividend which makes a total distribution for the year equivalent to 10 per cent. free of tax.

Coming to the outlook for the present year, I can only say that up to now the company has done satisfactorily.

The report was unanimously adopted.

of stock. Even the slight easing of quotations on the news failed to increase the supply of stock and quite a small volume of business sufficed to raise the *Financial News* ordinary share index to a new high level for the year. Steady investment demand for irredeemable, long and medium dated stocks occasioned a general advance in the *gilt-edged* market early in the week, where the shortage of stock is particularly marked. Outstanding were gains of ½ for Victory Loan and of ¾ for 3½ per cent War Loan, which raised these stocks to their highest levels since 1937 and for the current year, respectively. For other securities, the advance was less marked, but was generally out of all proportion to the actual business done. Short dated stocks, however, remained quiet and steady. Quiet and rather dull conditions prevailed in the *foreign bond* market, where Brazilian stocks continued their downward trend, chief losses being suffered by the 5 per cent Funding Loan of 1914 and the San Paulo Coffee loan. Chilean issues were steady, while elsewhere Egyptian 4 per cent Unified weakened on the war news. In general, however, turnover was small. There was a marked expansion in business in the *home rail* market which gave rise to an all round improvement in junior stocks, while, later, buying extended to the prior charges. After some improvement, LMS ordinary and Southern deferred weakened slightly in midweek, but Southern preferred and GW ordinary held their earlier advance, while London Transport "C" coming for the Havana line debentures, while among Argentine prior charges Central Argentine and BA Western issues improved slightly. Declining support for the funds in the latter part of the week led

to an easier tendency, while selling of Brazilian stocks continued.

Despite the considerable interest displayed in the funds, daily markings of over 1,000 bargains indicated that there was no slackening in the quest for good industrial equities, and prices continued to advance steadily. Activity among brewery shares was moderate, although apart from a rise of 2s. on the week for South African Breweries and a sharp jump of 5s. 6d. for Guinness on the increased dividend, prices showed little change. Tobacco shares, too, were quiet, Imps and BAT remaining steady, although Godfrey Phillips and Gallaher improved slightly. The heavy industrial section was firm throughout on steady support, with Beardmore outstanding with a rise of 1s. on Tuesday. Colliery issues were firm on the output bonus decision, William Cory advancing steadily. Among shipping shares, Cunard and P & O deferred were prominent in a firm market. Textile issues recovered from the Crosses and Winkworth results and small improvements were fairly general, Patons & Baldwin gaining ¼ at the reopening, when Tootal Broadhurst also rose a few pence. In the stores group, leading issues were firm on some buying. The miscellaneous section reflected the general improvement, International Nickel rising ½ on the week, while Murex, London Brick, Spillers and Brazilian Traction all advanced. The general firmness of the market was quite well maintained in midweek, although dollar stocks reacted slightly.

Both home and Cape demand in the kaffir market combined to raise prices at

the reopening, when gains ranged from 1/2 to 1, the latter amount being gained by Sub Nigel and East Geduld, while Sallies and West Wit Areas, among others, were both 1/2 better. Later, the tendency became slightly easier, although selling was negligible. There was a slight improvement in turnover in the rubber market, but losses generally outweighed gains. Kuala Lumpur and Tamiang fell 1s. and 1s. 3d. respectively on some selling this week. Tea issues were distinctly firm in the early part of the current week, British India advancing 2s. among other smaller gains. The slightly reduced Burmah Oil dividend provided a pleasant surprise for the oil market, which marked the shares up some 3s., while Anglo-Iranian also improved. Although business was maintained, prices showed little important change, but both Burmah and Shell suffered small losses early this week. Anglo-Iranian remained steady in midweek on the dividend announcement, but Anglo-Egyptian weakened on the Egyptian news.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Corres. Day 1941	Security Indices	30 Ord. Shares*	20 Int. Fixed
Aug. 27.....	3,251	2,826	83.2	133.3	133.3
" 28.....	3,561	2,771	83.4	133.3	133.3
" 31.....	4,189	3,112	83.7	133.3	133.3
Sept. 1.....	3,593	3,510	83.8	133.2	133.2
" 2.....	3,722	3,117	83.9	113.2	113.2

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 83.9 (Sept. 2); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 9). ‡ New basis in S.E. List. § Old basis.

New York

In spite of the more favourable war news, sentiment on Wall Street over the past

week has been restrained. Uncertainty regarding the Tax Bill and the anti-inflation measures to be taken restricted both speculative and investment buying, and trading in consequence was slow. A few selected issues improved slightly, but in general prices fluctuated narrowly with small gains and losses evenly spread throughout all sections.

STANDARD STATISTICS INDICES

(1935-36=100)

WEEKLY AVERAGES

	1942	Aug. 12, 1942	Aug. 19, 1942	Aug. 26, 1942
Low	49.1	75.0	70.1	71.5
High	58.4	71.0	64.0	67.5
347 Industrials	53.1	67.4	58.4	59.2
32 Rails	53.1	67.4	58.4	59.2
40 Utilities	53.1	67.4	58.4	59.2
419 Stocks	53.1	67.4	58.4	59.2
Av. yield*	8.40%	6.59%	6.97%	6.59%

* 50 Common Stocks.
(a) Jan. 7. (b) Feb. 4. (c) Aug. 19. (d) June 24.

DAILY AVERAGE OF 50 COMMON STOCKS

Aug. 20	Aug. 21	Aug. 22	Aug. 24	Aug. 25	Aug. 26
88.2	88.4	88.4	88.6	87.8	86.7

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Total share dealings: Aug. 27, 271,000; Aug. 28, 300,000; Aug. 29*, 137,000; Aug. 31, 247,000; Sept. 1, 291,000; Sept. 2, 270,000.

* Two-hour session only.

COMMODITY AND INDUSTRY NEWS

Standard Specifications.—The British Standards Institute is drawing up a series of specifications for various non-ferrous castings, as a result of a request from the directorate of economy of the Ministry of Supply. Their purpose is to economise in the use of tin for cast-copper alloys. Four specifications, providing for two qualities of phosphor-bronze ingots and castings, have been issued this week. The use of one (B.S. 1058-9) of the qualities is restricted to essential purposes, such as for aircraft work. The other (B.S. 1060-1) provides for a leaded phosphor-bronze of lower tin content, which is suitable for much general engineering and maintenance work.

Night Ploughing.—The increase in the number of tractors since the war has been very large. Nevertheless, if farmers are to get the bulk of the increased wheat acreage sown by the end of October every tractor must be used for the maximum number of hours during every day on which it is possible to plough. The Minister of Agriculture has suggested that some ploughing will have to be done during the hours of darkness. Advice has been given to farmers on the right use of tractors, and instructions have been issued on the use of lamps.

International Sugar Scheme.—The International sugar agreement, which has been in operation for five years, expired at the end of August. Its extension for a further period has been proposed. It is reported that the Government of India may not participate in the new agreement.

Catering Wages.—The Minister of Labour is to reconsider his plans for the establishment of a Central Wages Board for the catering industries. This move has been dictated by the opposition against Government regulation of wages and conditions. No details of the modified plan are available, but a meeting is to take place shortly

between Mr Bevin and representatives of the catering trades.

Fertilisers for Allotments.—Gardeners and allotment-holders are now allowed to acquire small quantities of phosphatic and potassic fertilisers without permit or licence. This permission is given by the Control of Fertilisers (No. 24) Order, issued by the Minister of Supply. It came into force on September 1st.

Cotton Overtime.—The Cotton Controller has directed about 100 spinning mills to continue working overtime. The rest of the mills, estimated at about 200, have reduced the working week from 52 to 48 hours. The present arrangement is to last for two months, and it is expected that all overtime in both spinning and weaving branches will cease at the end of October.

Milk Production Contests.—The first results in the "League tables" of the Ministry of Agriculture's "Victory Churn" Contest have been announced. The tables were compiled from sales returns of the

"THE ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	Aug. 27, 1942	Aug. 28, 1942	Aug. 29, 1942	Sept. 1, 1942	Sept. 2, 1942
Crops	117.8	117.8	117.8	118.0	118.0
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	142.7	142.7	142.7	142.8	142.8
Mar. 31, 1937	100.0	100.0	100.0	100.0	100.0
Aug. 26, 1942	147.9	147.9	147.9	147.9	147.9
Raw materials	207.3	207.3	207.3	207.3	207.3
Complete Index	175.1	175.1	175.1	175.1	175.1

* Highest level reached during 1932-37 recovery.

Capital Issues

Week ending September 5, 1942	Nominal Capital	Conversions	New Money
Particulars of Government issues appear on page 317.			
Year†	Excluding Conversions	Excluding Conversions	Excluding Conversions
1942.....	1,050,930,802	1,036,210,054	1,036,210,054
1941.....	1,122,469,024	1,070,334,442	1,070,334,442

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1942.....	1,035,805,592	349,272	55,190
1941.....	1,066,983,399	3,290,846	70,000

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Prof.	Ord.
1942.....	1,029,461,542	731,318	6,017,194
1941.....	1,066,213,760	459,460	3,661,222

† Includes Government issues to August 22, 1942, only. Above figures include all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

Carrier Engineering.—Issue of 75,000 5s. ordinary shares at 21s. each for purpose of redeeming at 21s. each the 75,000 £1 second 5 per cent cumulative preference shares.

Shorter Comments

Brazilian Traction, Light & Power (U.S. \$000s).—Gross earnings in month of July \$4,039 (\$3,731), net earnings before depreciation \$2,168 (\$2,044). Aggregate gross earnings since January 1st \$26,700 (\$24,127), aggregate net earnings \$14,180 (\$12,921).

Canadian Pacific Railway (\$000s).—Gross earnings in July, 1942, \$21,926 (\$19,359), net earnings \$3,268 (\$3,195). Aggregate gross earnings January-July, inclusive, \$142,959 (\$119,200), aggregate net earnings \$25,216 (\$23,115).

Milk Marketing Board for last June, and they show that 48 out of the 61 counties have increased their output of milk compared with a year ago. Some of the increases were substantial. Only six counties produced less than last year and the changes were negligible in seven. The competition is to run for a year, and will close at the end of next March. Further league tables will be compiled from returns for September, December and March.

RETAIL FOOD PRICES.

	Average price per lb. at			Per cent increase since Sept. 1, 1939
	Sept. 1, 1939	July 1, 1942	Aug. 1, 1942	
Beef, British—	s. d.	s. d.	s. d.	
Ribs	1 24	1 51	1 33	11
Thin flank	0 71	0 92	0 92	27
Beef, ch'd or frozen				
Ribs	0 91	1 1	1 1	35
Thin flank	0 42	0 6	0 6	22
Mutton, British—				
Legs	1 31	1 51	1 51	13
Breast	0 71	0 8	0 8	8
Mutton, frozen—				
Legs	0 101	1 0	1 0	16
Breast	0 4	0 4	0 4	37
Bacon	1 3	1 81	1 81	42
Fish				
Flour (per 7 lb.)	1 11	1 31	1 31	14
Bread (per 4 lb.)	0 81	0 8	0 8	-3
Tea	2 4	2 6	2 6	7
Sugar (gran.)	0 3	0 3	0 3	-1
Milk (per qt.)	0 61	0 81	0 81	29
Butter { fresh	1 41	1 7	1 7	19
{ salt	1 31			24
Cheese	0 10	1 1	1 1	30
Margarine, special	0 61	0 9	0 9	5
Standard		0 5	0 5	19
Eggs, fresh (each)	0 2	0 11	0 11	1
Potatoes (per 7 lb.)	0 61	0 2	0 2	34
		0 81	0 81	
Index all foods weighted 1914=100	138	160	160	16

Source: Ministry of Labour Gazette.

Finance

GOVERNMENT RETURNS

For the week ended August 29, 1942, total ordinary revenue was £50,854,000, against ordinary expenditure of £109,833,000, and issues to sinking funds of £19,000. Thus, including sinking fund allocations of £3,222,965, the deficit accrued since April 1st is £1,181,035,000, against £1,223,945,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	April 1 to Aug. 30, 1941	April 1 to Aug. 30, 1942	Week ended Aug. 29, 1941	Week ended Aug. 29, 1942
ORDINARY REVENUE					
Income Tax	913,000	149,459	234,026	5,996	8,555
Sur-tax	78,000	10,849	10,610	195	370
Estate, etc.	90,000	39,473	39,968	1,447	1,325
Duties	15,000	5,201	5,560	70	20
N.D.C.	425,000	7,460	10,260	130	348
E.P.T.	1,000	165	250	5,065	7,917
Other Ind. Rev.	1,000	165	250	5,065	7,917
Total Ind. Rev.	1522,000	291,068	417,172	12,903	18,545
Customs	438,295	142,560	184,849	7,223	7,265
Excise	366,705	136,810	176,895	16,610	21,695
Total Customs & Excise	805,000	279,370	361,744	23,833	28,960
Motor Duties	34,000	8,920	4,433	...	...
Canadian Govt. Contribution	225,000	...	141,332	...	...
P.O. (Net Receipts)	10,000	6,600	8,750	Dr 1450	Dr 1500
Wireless Licences	4,300	...	1,160	...	270
Crown Lands	800	530	440	100	80
Receipts from Sundry Loans	5,000	1,898	960	...	82
Miscell. Receipts	21,000	24,949	43,821	2,250	4,416
Total Ord. Rev.	2627,100	613,335	979,813	37,636	50,854
SELF-BALANCING P.O. & Broadcast	102,523	38,600	40,600	3,550	3,200
Total	2729,623	651,935	1020,413	41,186	54,054

Expenditure	Estimate, 1942-43	April 1 to Aug. 30, 1941	April 1 to Aug. 30, 1942	Week ended Aug. 29, 1941	Week ended Aug. 29, 1942
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	325,000	119,012	143,058	642	718
Payments to N. Ireland	9,500	2,926	3,018	326	335
Other Cons. Fund Services	7,800	3,189	3,447	8	7
Total	342,300	125,127	149,523	976	1,060
Supply Services	494,417	170,926	200,810	90,622	108,773
Total Ord. Exp.	526,647	183,433	215,765	91,598	109,833
SELF-BALANCING P.O. & Broadcast	102,523	38,600	40,600	3,550	3,200
Total	538,900	187,293	219,925	95,148	113,033

After increasing Exchequer balances by £57,389 to £2,629,935, the other operations for the week (no longer shown separately) raised the gross National Debt by £58,315,608 to about £15,249 millions.

NET ISSUES (£ thousands)
P.O. and Telegraph... 150
Overseas Trade Guarantee... 33

NET RECEIPTS (£ thousands)
War Damage Act... 848
Overseas Trade Guarantees... 75

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Aug. 29th and Sept. 4th. (Figures in brackets are par of exchange.)

United States. \$ (4-36) 4-02-03; mail transfers 4-43-47. **Canada.** \$ (4-36) 4-43-47; mail transfers 4-43-47. **Switzerland.** Francs (25-22) 17-30-40. **Sweden.** Krona (18-159) 16-85-95. **Argentina.** Peso (11-45) 16-95-17-13; mail transfers 16-95-17-15. **Dutch West Indies.** Florin (12-11) 7-59-62; mail transfers 7-58-64. **Portugal.** Escudos (110) 99-80-100-20. **Panama.** \$ 4-02-04; mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). **Turkey.** Piastres (110) 520. **Italy.** 71-25 lire.

FIVE WEEKS' CHANGES IN DEBT

Net Increases	Net Repayments
Nat. Sav. Certs. 14,350	Other Debt 297
3% Defence Bonds 7,515	
2 1/2% Nat. War Bds. 27,088	
1949-51 30,460	
3% Sav. Bonds 41,000	
Treasury Deposits 35,411	
Ex Reserve Certs. 14,011	
Treasury Bills 87,625	
Ways & Means 15	
3% Savings Bonds 257,475	
1955-65 257,475	

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England Deposits by Banks	Total Floating Debt
1941				
Aug. 30	970.0	1525.3	213.9	3709.2
1942				
May 30	975.0	1805.3	254.8	3535.1
June 6	975.0	1805.3	254.8	3535.1
" 13	975.0	1805.3	254.8	3535.1
" 20	975.0	1805.3	254.8	3535.1
" 27	975.0	1805.3	254.8	3535.1
July 4	975.0	1805.3	254.8	3535.1
" 11	975.0	1805.3	254.8	3535.1
" 18	975.0	1805.3	254.8	3535.1
" 25	975.0	1805.3	254.8	3535.1
Aug. 1	975.0	1805.3	254.8	3535.1
" 8	975.0	1805.3	254.8	3535.1
" 15	975.0	1805.3	254.8	3535.1
" 22	975.0	1805.3	254.8	3535.1
" 29	975.0	1805.3	254.8	3535.1

TREASURY BILLS (£ millions)

Amount			Average Rate of Allotment	Per Cent Allotted at Min. Rate
Date of Tender	Offered	Applied for	Allotted	37/100
1941				s. d.
Aug. 29	75.0	152.3	75.0	20 3.17
1942				
June 5	75.0	147.3	75.0	20 0.56
" 12	75.0	131.6	75.0	20 0.67
" 19	75.0	124.3	75.0	20 0.90
" 26	75.0	141.4	75.0	20 0.58
July 3	75.0	143.9	75.0	20 0.54
" 10	75.0	157.7	75.0	20 0.32
" 17	75.0	139.6	75.0	20 0.60
" 24	75.0	136.6	75.0	20 0.62
" 31	75.0	155.1	75.0	20 1.11
Aug. 7	75.0	151.4	75.0	20 0.71
" 14	75.0	135.6	75.0	20 0.69
" 21	75.0	151.4	75.0	20 0.71
" 28	75.0	163.6	75.0	20 2.85

[illegible]

	Aug. 25, 1942	Sept. 1, 1942		Aug. 25, 1942	Sept. 1, 1942		Aug. 25, 1942	Sept. 1, 1942
	Cents	Cents		Cents	Cents		Cents	Cents
GRAINS (per bushel)—			MISCELLANEOUS (per lb.)—			MISCELLANEOUS (per lb.)— <i>cont.</i>		
Wheat, Chicago, Sept.	117	120½	Cocoa, N.Y., Accra, Dec.	...†	...†	Rubber, N.Y., smkd. sheet spot.	...†	...†
Winnipeg, Oct.	90	90	Coffee, N.Y., cash—			" " Jan.-Mar.	...†	...†
Malze, Chicago, Sept.	83½	83½	Rio, N. Y.	9½	9½			
Oats, Chicago, Sept.	49	50½	Santos, No. 4	13½	13½	Sugar, N.Y., Cuban Cent., 96 deg.	3-74½	3-74½
Rye, Chicago, Sept.	61½	63½	Cotton, N.Y., Am. mid., spot.	19-55	19-69	spot		
Barley, Winnipeg, Oct.	60½	60½	Am. mid., Aug.	18-03	18-16	Sugar, N.Y., 96 deg., No. 4, f.o.b.		
			Cotton Oil, N.Y., Sept.	13-70	13-75	Cuba, Mar.	...†	...†
METALS (per lb.)—			Lard, Chicago, Sept.	12-85	12-90			
Copper, Connecticut	12-00	12-00	Petroleum, Mid-cont. crude, per			Moody's Index of staple com-		
Tin, N.Y. Straits, spot	52-00	52-00	barrel	117	117	modities, Dec. 31, 1931=100.	231-2	230-9*
Lead, N.Y., spot	6-50	6-50						
Spelter, East St. Louis, spot	8-25	8-25						

	Aug. 25, 1942	Sep. 1, 1942		Aug. 25, 1942	Sep. 1, 1942		Aug. 25, 1942	Sep. 1, 1942
CEREALS AND MEAT			TEXTILES—continued			MISCELLANEOUS		
GRAIN, etc.			COTTON—continued			CEMENT , best Eng. Portland, d/d site, London area, in paper bags or jute sacks 20 to ton—(a)		
Wheat	s. d.	s. d.	Cloth, Overall Cloth, 3½ in. 52 x 50, 22's & 16's ..	s. d.	s. d.	6-ton loads and upwards per ton	s. d.	s. d.
No. 1 N.Mt. 496 lb. f.o.b. St. J....	37 ¾	37 11	Drill, 30 in., 80 x 46, 12's & 10's	74 1	74 1		49 6	51 0
Eng. Gaz. av. per cwt. (e)	16 1	16 2	FLAX (per ton)—	£ s.	£ s.	CHEMICALS —		
Flour per 280 lb.—			Livonian ZK	Nom.	Nom.	Aid, Oxalic, net..... per ton {	60/0/0 65/0/0	60/0/0 65/0/0
Straights d/d London	33 3	33 3	Pernau HD	Nom.	Nom.	Tartaric, English, less 5% .lb.	4 3	4 3
Burley Eng. Gaz. av. per cwt. (e)	35 3	35 3	HEMP (per ton)—Manila, spot "J2"	Nom.	Nom.	Ammonia, Sulphate..... per ton	9/11/6	9/11/6
Oats (e)	15 6	15 3	JUTE (per ton)—			Nitrate of Soda..... per ton	10/14/0	10/14/0
Maize, La Plata, 480 lb., f.o.b....	13 6	13 6	Daisee 2/3 c.i.f. Dundee	31/0/0	32/0/0	Potash, Sulphate..... per ton	18/15/0	18/15/0
MEAT —Beef, per 8 lb.—			Common 8 lb. cops (per spindle) ..	4 10	4 9	Soda Bicarb..... per ton	11/0/0	11/0/0
English long sides	{ 4 11	{ 4 11	10/40 Hessians, per yd.....	0 6-50	0 6-50	Soda Crystals..... per ton	5/7/6	5/7/6
Imported hinds	{ 5 6	{ 5 6	8/40 Hessians, per yd.....	0 5-00	0 5-00	COPRA (per ton)—S.D. Straits c.l.f.	Nom.	Nom.
Mutton, per 8 lb.—English	{ 4 7	{ 4 7	100 yds.	51 0	50 6	HIDES (per lb.)—	s. d.	s. d.
Imported	{ 8 6	{ 8 6	74/40	39 0	39 0	Well salted Australian, } 40/50 lb.	0 7½	0 7½
Pork, English per 8 lb	{ 4 7	{ 4 7	Sisal (per ton)—African, spot —No. 1 delivered	£ s. £ s. 34 0 34 0	£ s. £ s. 34 0 34 0	Queensland	0 7½	0 7½
BACON (per cwt.)—Wilts, cut side	126 0	126 0	WOOL (per lb.)—	d.	d.	Cape, F'burg Ord.....	0 7½	0 7½
HAMS (per cwt.)—Green	132 0	132 0	Lincoln wethers, washed	19½	19½	Dry Cakes, 18/20 lb.....	0 8½	0 8½
OTHER FOODS			Selected blackfaced, greasy	14 1	14 1	English & Welsh Market Hides—	{ 0 6½	{ 0 6½
BUTTER (per cwt.)—All Grades,			Australian scrd. fleece 70's ..	37 37	37 37	Best heavy ox and heifer	{ 0 8½	{ 0 8½
Gilt Hand	142 0	142 0	Cape scrd. average snow white ..	29½	29½	LEATHER (per lb.)—		
CHEESE (per cwt.)—			N.Z. scrd. 2nd pieces, 50-56's ..	24 24	24 24	Sole Bends, 8/14 lb.....	{ 1 9	{ 1 9
Home Produced	99 2	99 2	Tops—			Shoulders	{ 1 3	{ 1 3
Imported	99 2	99 2	64's warp	45 45	45 45	Insole Bellies	{ 0 7½	{ 0 7½
COCOA (per cwt.)—			56's super carded	39 39	39 39	Dressing Hides	{ 2 3	{ 2 3
Accra, g.f.	45 0	45 0	48's average carded	31 31	31 31	PETROLEUM PRODUCTS (per gal.)—		
Grenada fine	81 0	81 0	44's prepared	29½	29½	Motor Spirit, England & Wales...	1 10	1 10
COFFEE (per cwt.)—			MINERALS	s. d.	s. d.	(b) Kerosene, Burning Oil	0 11½	0 11½
Santos, supr. c. & f.	Nom.	Nom.	Welsh, best Admiralty	{ 31 7	{ 31 7	"Vaporising Oil"	1 1	1 1
Costa Rica, medium to good.....	{ 190 0	{ 190 0	Durham, best gas, f.o.b. Tyne ..	{ 32 4	{ 32 4	(b) Automotive gas oil, in bulk, ex road tank waggons.	1 7½	1 7½
EGGS (per 120)—English	15 0	15 0	IRON AND STEEL (per ton)—			Fuel oil, in bulk, England and Wales	0 10½	0 10½
LARD (per cwt.)—Imported	64 0	64 0	Pig, Cleveland No. 3, d/d.....	128 0	128 0	Furnace	0 10½	0 10½
POTATOES (per cwt.)—			Bars, Middlebrook	312 6	312 6	Diesel	0 11½	0 11½
English, new	{ 7 6	{ 7 6	Coils, heavy	290 9	290 9	ROSIN (per ton)—American	{ 29 6	{ 29 6
SUGAR (per cwt.)—			Tinplates (home, i.e. 14 x 20) ..	29 9	29 9	RUBBER (per lb.)—	33 0	33 0
Centrifugals, 96%, prpt. shipm. c.i.f. U.K./Cont.	...	...	NON-FERROUS METALS (per ton)—			St. ribbed smoked sheet	1 1½	1 1½
REFINED LONDON			Copper (c)—Electrolytic	62/0/0	62/0/0	SHELLAC (per ton)—TN Orange..	200/0/0	200/0/0
Granulated, 2 cwt. bags	49 10	49 10	Lead (d)—Soft, foreign, cash ..	275/0/0(f)	275/0/0(f)	TALLOW (per ton)—London Town	25/0/0	25/0/0
Granulated, 2 cwt. bags, domestic consumption	21 7	21 7	Spelter (d)—G.O.B., spot.....	25/15/0	25/15/0	VEGETABLE OILS (per ton net)—		
West India Crystallised	47 6	47 6	Aluminium, ingots and bars	1				

(a) + 7s. per ton net paper bags, jute sacks, charged 1s. 9d., credited 1s. 6d. on return. (b) Higher Pool prices in some zones. (c) Price is at buyer's premises.
(d) Including import duty and delivery charges. (e) Average for weeks ended Aug. 15 and Aug. 22. (f) Price at which Ministry of Supply supplies consumers delivered works.

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CLAIMS PAID EXCEED - £140,000,000

(1941 Accounts)

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

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ISSUED AND FULLY PAID-UP - £20,000,000
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RESERVE FUNDS - STERLING - £10,000,000
RESERVE FUNDS - HONGKONG CURRENCY - £20,000,000

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 Acting Chief Manager: A. MORSE.

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DOMINION OF CANADA

THREE AND A-QUARTER PER CENT REGISTERED STOCK, 1950-55

For the purpose of preparing the Interest Warrants due 1st November, 1942, the BALANCES will be STRUCK on the evening of the 1st October, 1942, after which date the stock will be transferred ex-dividend.

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

EDWARD POPE, Manager.

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

PROVINCE OF ONTARIO

FOUR PER CENT REGISTERED STOCK, 1947

For the purpose of preparing the Interest Warrants due 1st November, 1942, the BALANCES will be STRUCK on the evening of the 1st October, 1942, after which date the stock will be transferred ex-dividend.

For Bank of Montreal,

EDWARD POPE, Manager.

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

THE ECONOMIST

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ONE
SHILLING

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Compensation in War

WAR cares nothing about life and property. It strikes blindly, singling out victims at random. Some have to forfeit their lives, others lose their possessions, and yet more their incomes. It is the community's duty, so far as is practicable, to mitigate the effects of these haphazard blows by spreading their burden. The agency upon whom the ultimate responsibility must fall for protecting individuals against indiscriminate hardship is the Government; and the chief instrument to hand is money.

Broadly, there are two ways in which civilians may be hit by the war. They may be struck by enemy action in their persons or property, or their purses may be shortened by the economic upheavals of wartime. Both kinds of blow are inflicted by the war. If the community accepts responsibility for the one kind of casualty, it cannot, in justice, neglect the other.

The principle of communal responsibility for the victims of bombing found statutory recognition in the Personal Injuries (Emergency Provisions) Act, in the War Damage Act and in the War Risks Insurance Act. Generally speaking, where the risk affects the community as a whole, compensation is paid by the Government, but where it affects only a section of the community, it is borne jointly by that section and the Government, or entirely by the former. Thus the Personal Injuries Scheme provides for medical treatment for all civilians who have

suffered war injuries and for injury allowances and disablement benefits, as well as for payments to dependants during disablement or in case of death. The cost of the scheme, which is administered by the Ministry of Pensions, is borne by the Treasury—that is to say, by the community as a whole. The War Damage Act and Part II of the War Risks Insurance Act (dealing with the insurance of commodities) are, in a sense, counterparts of the Personal Injuries Scheme. Both these Acts provide for compensation in respect of loss of property caused by enemy action; but there are interesting differences in administrative detail. The Commodities Scheme, while administered by the Government, is financed by the owners of commodities in that the premiums collected from them are designed to pay for the losses sustained. Part I of the War Damage Act, providing for compensation in respect of damage to property and land, is financed partly by property owners—though there is an anomalous discrimination between different classes of property owners—and partly by the Government, on a fifty-fifty basis. Again, the Business Scheme of Part II of the Act, giving cover for plant, machinery and business equipment, is on a contributory basis. At the other end of the scale, there is the Private Chattels Scheme, also of Part II of the Act, which, like the Personal Injuries Scheme, provides for compensation by the Government without contribution but with an upper limit, above which contribu-

tions are payable by persons who desire higher cover.

Similarly, the Government has recognised the justice of paying compensation to individuals or institutions whose property has been requisitioned under the Defence Regulations. The basis and conditions of the requisitioning of property were laid down in the Compensation (Defence) Act. The main principle of the Act is that, while the state takes the benefit of a depreciation in letting values, it gives no credit for any appreciation due to the war. Mr John W. Morris, K.C., who was asked to report on requisitioning a year ago, saw no reason why the state should pay an inflated value, but he agreed that there was more merit in the contention that it should not pay a deflated value. There has been no consistency in the actual practice of the Government as between different kinds of requisitioned property. In the case of ships, for example, a special agreement with the shipowners has been made providing for a five per cent return on capital and five per cent for depreciation; for the railways, again, compensation is slightly above the pre-war level of profits. With the notable exception of ships, the property temporarily requisitioned by the Government is covered against damage or destruction through enemy action by the War Damage Act, which provides for physical restitution or, in certain cases, for financial compensation after the war on the basis of the market value of the property in March 1939. Ships are insured for their pre-war value—which, in contrast to compensation for destroyed buildings, is payable immediately after loss—as well as for their increased value since the outbreak of war, payable only after the war.

Nor has there been uniformity of practice in the case of property purchased outright by the Government. Foreign exchange and securities have generally been taken over at current market prices, whether above or below the pre-war price. Owners of dollars requisitioned after the depreciation of the £ have reaped the benefit of the alteration in the rate of exchange. The sale of Messrs Courtauld's American subsidiary, the American Viscose Corporation, is an example where compensation has been paid well in excess of the amount realised by the sale: the compensation ultimately fixed by arbitration was more than double the amount obtained by the Treasury, though even that was held to take inadequate account of the potential, if problematical, earning power of the concern.

As an article on Compensation in Practice by Mr Thomas Balogh in the current issue of the Bulletin of the Oxford Institute of Statistics shows, the Government's compensation policy bristles with inconsistencies in the case of persons who have been called up or directed to war work or of industries and individual firms which have become financial war casualties. Central and local government officials, if called up, continue to receive their former salaries. Many business firms, too, have adopted the policy of making up the income of their called-up employees; since salaries are allowable as an expense for taxation purposes, these payments are more often than not paid, in effect, by the state, either in whole or in part—and, in so far as they affect the costs of firms, they may be partly borne by the consumer in higher prices. But there are many members of the Forces whose pre-war incomes are not made up and who are dependent on their Service pay which, in spite of various allowances, is very often only a mere fraction of their former income.

As a matter of principle, the Government has refused to accept any direct communal responsibility for financial war casualties among businesses. Two years ago Mr Churchill said:

Damage by enemy action stands on a different footing from any other kind of loss or damage, because the nation undertakes the task of defending the lives and property of its subjects and taxpayers against assaults from outside. Unless public opinion and the judgment of the House were prepared to separate damage resulting from the fire of the enemy from all those other forms of war loss, and unless the House was prepared to draw the distinction very sharply between war damage by bomb and shell, and the other forms of loss which are incurred, we could not attempt to deal with this matter;

otherwise we should be opening up a field to which there would be no bounds.

In manufacturing the need for direct Government assistance has as yet scarcely arisen, because the majority of trades affected by concentration schemes have been able to earn profits large enough to pay compensation to closed down firms. In general, compensation schemes have been arranged among the industries concerned privately, though a small number of industries which cannot switch over to war work and cannot continue to manufacture goods for civilians may be left with virtually no income at all. Their problem can hardly be solved without direct Government assistance. In any case, even the sectional schemes whereby the "runners" raise a fund to defray the overhead and maintenance costs of the "closers" ultimately involve the consumer and the Government with both as contributors; the price paid by the consumer may be raised to the extent of the levy or the Government may receive less in taxation.

There are many walks of life where there is not even provision for sectional pooling arrangements. Of these the retail trades are among the most important. Retailers unable to carry on just fall by the wayside. Hitherto the number of casualties among them has been limited, because the value of total turnover, as distinct from its volume, has been fairly well maintained. But the rate of casualties is likely to grow next year, with the further reduction in the volume of sales and the extension of price control. Again, there are many service trades without sectional compensation schemes which have had a high rate of financial casualties in certain districts; of these, seaside landladies are a stock example. Last, but not least, there are the investors whose gross income has been reduced by the adverse effect of war on the dividend paying capacity of the concerns in which they have a stake.

To top it all, there has been, on the other side, a substantial measure of "betterment" for a large number of individuals, which can only be attributed to the war. As *The Economist's* quarterly analyses of industrial profits show, business earnings, after allowing for EPT, have been stabilised; wages and salaries, on the other hand, have registered a substantial increase, on the average. This makes the fate of the victims of war economy stand out still more. Fortunately, they are the exception rather than the rule; this is no reason why they should be neglected. Indeed, the fewer the financial war casualties, the easier it is for the community to come to their rescue.

Perfect justice in war is impossible; but a measure of rough justice is practical politics. In spite of their deficiencies, the schemes designed to compensate individuals and institutions for losses caused by enemy action have achieved a measure of fairness. But the treatment of economic casualties still shows a degree of variation which it is hard to justify. In practice, the principle of compensation has been widely recognised. It is the extension and rounding-off of principles which have already been accepted piecemeal rather than the introduction of new ones, that is now needed.

The need for compensation will not end with the war. As the remarkable Final Report of the Uthwatt Committee on Compensation and Betterment (Cmd. 6386) published on Thursday shows, it will also be a major problem in the post-war period when the task of social and economic reconstruction will overshadow all others. The Uthwatt Committee has produced an expert, authoritative, lucid and statesmanlike document, outlining the conditions that must be fulfilled if physical reconstruction and land development are to go forward in the national interest after the war. The purchase by the state of the development rights in all land outside built-up areas, and the actual acquisition of such land, as well as built-up sites, as and where required, together with a heavy tax on betterment: these are the essential preconditions of planned reconstruction and development. The principles of compensation for state interference with the use of private property laid down in this report (which will be discussed in detail in a subsequent article) are a model of practical justice.

Spain's Plight

LAST week's changes in the Spanish Cabinet are perhaps the most significant since General Franco formed his Government in August, 1939. They have given rise to the usual wave of optimistic speculation. In the eyes of the world, Señor Serrano Suñer has become identified with the predominance of Axis influence in Madrid, and now he has been dismissed. The deduction is too easily drawn that German influence is on the wane; and that General Franco has finally asserted the neutrality of Spain. But such an explanation outstrips the evidence. The fundamental determinants of Spanish foreign policy remain unchanged. There are still German forces on the Pyrenees; the shortage of bread is still acute. To a point, Germany is still able to guide the foreign policy of Spain; yet Hitler is still unwilling to exploit this advantage by attempting to force Spain to go to war. The attitude of the Spanish Government on diplomatic issues is determined by those facts, and will be so determined until the balance of power in Western Europe or in the Western Mediterranean is radically altered.

The most reasonable interpretation of last week's Cabinet changes is that they represent, not a change-over in foreign policy, but a bold attempt by the Caudillo to achieve a working unity in domestic matters. It was clear from the start of the Franco regime that the Spanish victors of the civil war owed their unity to a common distaste for the Republic rather than to any positive agreement on matters of political theory and practice. The lines of division between the Falange, the Monarchists, the Traditionalists and the Army became apparent very early. The main problem of General Franco's regime has been to maintain a common front between these divergent groups capable of supporting a stable government. Submerged and in the background, there remain many hundreds of thousands of supporters of democracy. Guerilla bands still hold out in the mountains. The ghost of the Republic has not been laid. In these circumstances, the revival of political antagonisms within the *cadres* of the Right is untimely and unwise, to say the least; and their intensification in recent months has led to a definite decline in internal solidarity. In his speech at Vigo at the end of August, the Caudillo discussed the matter frankly.

All Spaniards must subordinate their egoisms and interests to Spain, great and free. . . . Complete unity in Spain is imperative. No purpose is served if we are strong in the military sphere and powerful industrially if our political unity fails.

The recent crisis was no doubt brought to a head by the clash of personalities between Señor Suñer, a Falangist

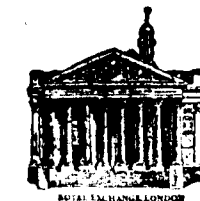
and president of the Falangist political junta or executive committee, and General Varela, the former Minister of War, who has recently drawn closer to the Monarchists. The Falangist bomb outrage at Bilbao, when General Varela narrowly escaped with his life, revealed that the feud had reached an advanced stage. The question was the line which General Franco would take. Clearly the existing set-up of the Cabinet had become unworkable. In the event, the Caudillo has taken steps against both factions. The resignations of both Suñer and Varela are accompanied by those of Señor Luna, the Vice-Secretary of the Falange, and Colonel Galarza, the former Minister of the Interior, of Monarchist sympathies. General Franco remains impartial; in effect, he cries "A plague on both your houses." The vacated offices are filled with moderates. General Jordana and General Asensio, who go, respectively, to the Foreign Office and the War Ministry, are experienced soldiers. Don Blas Perez Gonzalez, the new Minister of the Interior, becomes a member of the political junta of the Falange; but the Caudillo himself has taken up the presidency of this body.

The crisis was not caused simply by personal differences. The divergencies in policy between the extreme wing of the Falange and the conservative elements in the Government, the Traditionalists and the Monarchists, are incompatible. An article on page 335 discusses in detail the recent evolution of Falangism with its growing emphasis on the need to achieve a national syndicalist revolution. On the other side, the reopening of negotiations for the restoration of the monarchy have become an open secret. The Varela-Suñer struggle is symptomatic of a growing cleavage within the uneasy team of right wing parties which General Franco drives. Spain to-day is only very nominally a one party state; and there is no guarantee that the elimination of a number of the most notable figures will stabilise the position.

The internal struggle is not, of course, without its influence on foreign policy. Señor Suñer was notoriously willing to go to the limit in collaboration with the Axis. He was identified with the German standpoint and in the past has owed much of his influence to Axis support. But his dismissal is evidence that the Germans have seen fit to dispense with his services rather than that Axis intrigue in Madrid has suffered an open reverse. Señor Suñer's unpopularity, even among the staunchest supporters of General Franco's regime, had become increasingly embarrassing to his German masters; and his removal from office does not necessarily run counter to Germany's true interests in Spain.

Spain remains a not unwilling member of German-dominated Europe. But Spanish interests, for which the

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Caudillo has consistently stood in the past three years, is predominantly to stay at peace. That Spain has not been forced into full belligerency is, of course, due solely to Axis calculations of expediency. Economic impoverishment in the peninsula would severely limit the benefits of occupation; and Spain is already virtually integrated within the New Order. The receipt of positive assistance from Spain in the form of the Blue Division for service against Russia and of industrial raw materials has so far bought off more drastic interference by the Germans. The striking difference between the ability of Spain and of Portugal to play truly neutral and independent rôles in the present struggle is, of course, the legacy of the Spanish civil war. In a sense, Spain was the first of the conquered nations of Europe. The Germans have already fought their war in Spain; and, as the reward for their intervention, they exercise the right to exploit Spanish resources for the Axis cause without further military effort. The price they pay for their intervention is the reduction of Spain's material contribution to a minimum, because of its total and unrepaired economic collapse.

Spain's own counter to the preponderance of German influence in Madrid and to the grave problems of starvation, mass unemployment and desperate housing shortage has been an attempt to foster the remaining trade links with the outside world. The new Spanish-Argentine Trade Agreement, although only a temporary arrangement, is the precursor to an attempt to foster a permanently higher level of barter exchange between the

two countries. The agreement, signed in Buenos Aires early this month, covers the exchange of goods to a value of some 150 million pesos. Argentina is to provide Spain with 1,000,000 tons of wheat and some tobacco, while Spain is to supply, within one year, 30,000 tons of iron and steel, within thirty months, two 9,000-ton merchant vessels and, in an unspecified time, one destroyer of the *Cervantes* class and supply facilities for 60,000 tons of petrol. Even more important, the agreement provides for reciprocal scaling down of import duties and the facilitation of trade by private interests in a long list of the products of the two countries.

The situation in Spain remains extremely precarious. Territorial integrity is at the mercy of Germany and the requirements of high strategy. Economic recovery is dependent on the extent to which German exploitation can be sidetracked and trade connections forged with nations outside Europe. Political stability in Madrid rests on General Franco's ability to combine increasingly incompatible elements in his Government. The end of the civil war brought no basis for stable government, for the Right wing factions are scarcely less difficult to run in harness than the Popular Front combinations of the Republic. The Cabinet reshuffle is just one more step in the struggle for stability; and it would be idle to speculate on its success. But one thing is certain; that both the foreign and economic problems are unaffected by the removal of Suñer and Varela. They remain as obdurate as ever.

Restraint of Retailing

"WHAT is notable among British consolidations and associations is not their rarity or weakness so much as their unobtrusiveness." The quotation is from the report of the Committee on Trusts which sat after the last war. Now the trend is not even unobtrusive. It is blatant. Both industry and trade are strongly clutched by "consolidations and associations." Except in certain sections of heavy and large-scale industry, monopoly in the sense of the sovereignty over the entire market by a single producer or supplier may indeed be rare. But monopoly in the sense of a working policy to restrict competition and to control both supplies and prices, determined by an association of the largest and most influential firms, is rife. The pervasive influence of quasi-monopoly of this kind is a political as well as an economic phenomenon of the first importance. Before the war, restrictive cartels and associations were increasingly given the blessing of the state; after the war, it is the avowed purpose of the private monopolists and their associations, in their pleas for industrial self-government, ordered trade and "just" prices, that the economic activities of this country should be controlled by corporations with the tacit or explicit sanction of the law itself. There is no more important task in post-war policy than the state's duty to devise ways and means of arresting this trend which, if successful, will distort democracy no less than it already restrains trade.

It has been the life-work of Professor Hermann Levy to be a bloodhound in these matters. A third of a century has elapsed since Professor Levy revealed how the industrial combination of producers had become a characteristic feature of free trade Britain; now, in his latest book,* he shows that trade associations of distributors have come to dominate retail trade, despite its multiplicity of traders and its appearance of super-abundant competition. The burden of his new book is that

Quasi-monopoly organisation is no longer confined to industry; it has invaded retail trade, and has been fostered by manufacturers' organisations so far as the latter have been in a position to link up cartels with retail

trade associations to uphold or introduce price fixing agreements and trade practices.

Professor Levy sketches the morphology of retail trade associations in scholarly detail. Their aim is to regulate competition between their members and outside traders. The effect of their activities is to "limit the access of traders to producers and of consumers to traders." They impose their will by the familiar weapons of the stop-list and the boycott.

More and more, retail trading has become the mass distribution of standardised goods. More and more, it is carried on by large-scale units, the department store, the chain store, the multiple and the co-operative. The key to the growth of retail trade associations is this growth of the big firm because of the increased scale of retail operations. Small shopkeepers are still, by numbers, vastly in the majority; but the big firm, which is the small shopkeepers' rival, is also almost invariably the leader of the trade association which, by one means or another, determines the conditions on which the small man must carry on his business. The unit of retailing is still small, on the average, but control is concentrated. There are many thousands of dairymen in London; but, in normal times, two huge firms and the co-operatives dictate the terms on which milk is sold. In many trade associations, the interests of large manufacturers, allied to those of big retailers, are overwhelming and decisive. The trade in tobacco, motor-cars and proprietary articles, for instance, is stringently ruled by a powerful few; prices are fixed and heavy penalties are enforced for infringement.

The sanction against offenders is, at bottom, always the same—the withholding of supplies. In the old days, the retailer bought and sold as an independent trader. Now the suppliers of the goods which he must stock are organised to control his business. He must stock these goods because large-scale publicity has created a "consumer insistence" for them. The characteristic feature of the new retailing is the branded article, for which mass-advertising has created a special reputation. It is because the shopkeeper's choice of stock has been limited by these means that the manufacturer can follow him into his shop to dictate the prices he charges. He must

be content with the margin of discount allowed him.

Restraint goes further than the fixing of prices and margins. Competition is restrained in many trades by the banning of new entrants. In the newspaper trade, a distance limit is enforced to prevent the number of sellers in a given area from growing; in the motor and book trades, newcomers must satisfy the association that they possess certain financial and other qualifications. All these are remarkably repressive powers to be exercised by private bodies; an argument that restrictions like these are needed for orderly and efficient trading was answered long ago by Adam Smith.

The pretence that corporations are necessary for the better government of trade is without any foundation. The real and effectual discipline which is exercised over the workman is not that of his corporation, but that of his customers.

The war has given a marked fillip to quasi-monopoly in trade as well as in industry. It is the business of the state in wartime to restrain trade. The policies of private monopolists become public programmes. Prices are controlled, shops licensed and distance limits imposed against new traders. Wartime rules and regulations require the use of trade associations for their administration. This stimulus has not gone unappreciated by the trade associations. They frankly wish to build upon this wartime foundation a post-war regime of rule by corporations.

It is unhelpful to emulate King Canute. It is inevitable that retail trade should increasingly take on the large-scale aspect of all contemporary economic activities. It is natural and perfectly proper that traders should seek to band together for the furtherance of their interests. Customers must be left quite free to prefer branded and fixed-price articles for their convenience. The tide cannot be turned back. But there is no reason why trade associations should be permitted, by the tacit or open connivance of the law, to possess the legislative, administrative and even judicial functions they already exercise and wish to

extend. The old common law doctrine of restraint of trade can and should be given the life of which it has been sapped during the past generation. The easy argument that the agreements by which this protectorate over retailing is maintained are freely entered into by individual traders who have their livelihood to find omits to notice that the consuming public is not a party to these restrictive measures, but a victim. It ignores, too, that for private associations to possess the coercive power which is represented by stop-lists and boycotting is wholly contrary to public policy.

Professor Levy, whose book is a signal contribution to the economics of democracy, has defined the goal of trade associations.

It aims at a change of the entire structure of retail trade by the institution of a comprehensive and strict system of rules relating to entrants into the trade and the specific duties of every member of the trade in his professional behaviour; it sets out prices or margins; it bases the right to exercise a trade on rigid qualification tests; it limits shops; and it imposes almost destructive fines where the rules are not obeyed.

Such an *imperium in imperio* is intolerable. The technique to combat monopoly has still to be worked out in effective practice; when it is found, it will probably be a compound of provisions for open and accurate accounting, legislative measures against abuses and executive agencies to track down and disclose malpractices, such as the tribunal suggested by Professor Levy. But the duty of the democratic state is already plain: first, to give no more extra-governmental power to trade associations; secondly, to take away from the associations the extra-governmental powers which they have already been allowed to assume; and thirdly, to punish with the utmost rigour all trade practices which restrain the commerce by which the nation lives and restrict the freedom of every citizen to buy or work at will. The very stuff of democratic freedom is involved.

Service Women

JUSTICE has hardly been done to the valuable Markham Report on conditions in the women's Services which was published last week. The flowers of its literary style, admittedly unusual in a document of this kind, and the high and worthy sentiments of the more general passages on the merits of education, have been singled out for special praise. But the notable shrewdness with which the Committee has realised that conditions of life in the Services must be determined by conditions of work, and not *vice versa*, has gone almost unrecognised. The truth is that the public is too accustomed to discuss the problems of women in the Services as if they were, say, patients in hospital, pupils at school, guests in hostels, prisoners in gaol or even the inmates of asylums; the fact that they are, first and foremost, auxiliary members of the Army, the Navy or the Air Force is far too little heeded.

The purpose of the Auxiliary Services is to release serving men for other duties. Their dominating aim must be the efficient performance of the Service duties they take over. In order to perform efficient work, they must be, not only well trained and well led, but also reasonably well housed, well fed, well clothed and well doctored. That is as far as the question of living conditions can logically be taken if these women are to make their full contribution to the war effort in the station to which they have been called. The Markham Committee fully realises this, which is the greatest virtue of its report. Its comments on the organisation of the three Services, on the economy of effort and personnel which can be secured by extending the system of "component" or mixed units, on the replacement of men by women in headquarters posts and on the need for severe sanctions for women's discipline, are sound and practical. They put first things

first. Within this framework of duty, the report describes the standard of living conditions to be sought as one of spartan decency; the object is to lay down minimum conditions which are practicable, according to the exigencies of the Service, and then to see that these standards are generally applied and enforced.

It is this compliance with standards which is the key-point. Rightly, the Markham Committee has fastened upon the chain of responsibility from the Service Departments to the unit officers as the crucial factor. Everything, the report contends, turns upon the officers; "to care for their women properly" is the primary duty—a duty which applies, not simply to the company and section officers which the report seems to have chiefly in mind, but also to the higher women commanders with group or regional responsibilities, a minority of whom may be too reluctant to impose their authority for fear of prejudicing their position in relation to the men officers with whom they and their subordinates have to work. The suggestion of the Markham Committee that the number of inspectors on the staff of the ATS should be increased, and that inspections should be freely made without prior notice, goes to the root of this problem of translating precept into practice. It might well have been accompanied by a recommendation that explicit responsibility should be laid upon the higher women officers, and not simply upon the lower women officers who are directly in day-to-day contact with troops, to see that minimum standards are not evaded. Indeed, it is probably a weakness of the Markham Report that it seems to throw too much emphasis upon the responsibility of junior officers, which is necessarily restricted by the importance and self-importance of the commissioned men with whom they work, and too little upon senior women officers who

* Retail Trade Associations. By Hermann Levy. Kegan Paul. 265 pages. 15s.

sometimes tend too easily to fall into the routine of military administration and headquarters life.

Nevertheless, the Markham Committee cannot be criticised when it lays its emphasis upon the importance of officer personnel. Indeed, the crucial rôle of all officers and the importance of their basic responsibility for the well-being, as well as for the efficiency, of their troops, is a truism which applies to all the Services, male or female. The great difficulty in the case of the women's Services has been their rapid rate of expansion. The supply of officers has had to be "evolved and maintained in circumstances of acute pressure." The Markham Committee repeats that more should be recruited from the ranks and that more specialists should be brought in with almost direct commissions. Actually, their suggestions boil down to the common-sense recommendation that the net should be cast as widely as possible in the most selective way; by implication, the haphazard recruitment of officers for social, personal or other reasons is repudiated. But even the Markham Committee does not seem to see quite straight in this matter. From their investigations, its members have become, not unnaturally perhaps, very apprehensive of the "new barbarism," which produces among young people, and especially among young women, an "indifference to education" and an "abysmal ignorance of national and international affairs." They tend as a result to put what seems to be an exaggerated value upon the qualifications given by merely academic education. They would admit one year at a university as a sufficient qualification for commissioned rank, equivalent to the qualifications possessed by what they call "a woman of good personality, capable in her own sphere, domestic, industrial, business or professional"; and in the training of officers, they would replace much of the present factual instruction in Service technique by what they describe, somewhat broadly, as "talks with older and maturer minds who can open up vistas of thought previously unrealised and unexplored." The fact is that the only possible basis for producing the "efficient and understanding officers" for which the Markham Report so rightly calls is contact with and understanding of the troops themselves; and it is an error, much resented by efficient and experienced junior officers, to appoint young women with the conventional educational qualifications directly to relatively high ranks, whether as education officers or not.

The concern of the Markham Committee for education in all its aspects is understandable and welcome. If the women in the Services can, at the same time as they perform their Service duties with efficiency, be made into better citizens or more sober and more righteous females, it will indeed be a valuable contribution to the common weal. But this is no more true of the women in the Services than it is, say, of girls in factories—or, indeed, of men and women alike in war jobs everywhere. It is not a Service problem but a problem of society, and the bulk of the difficulties experienced in this respect in the Services are due to society's earlier failures. But in the Services as in the war factories, the job's the thing; the

insistence of war demands it. Nor is it a reasonable view of education or religion or culture or what you will that regards these as doses which can be given by a kind of inoculation. The suggestion that officers' training courses should be extended by two weeks, and that good civilian lecturers should be brought in to provoke thought and arouse intellectual curiosity, in order to "broaden the mental horizon" of would-be officers, appears vastly to over-simplify the problem. Education is a process which comprehends every aspect of the individual's experience; and it is surprising to find in so admirable a report even a hint of the fallacy that "leaders" can be made by prescription and short courses of instruction.

This is not to say that the proposals of the Markham Committee concerning the uses of education should not be closely studied and, where possible, applied. It is rather to suggest that too sharp a dichotomy is accepted between the work of these women and their educational rights and duties. Actually, these are parts of the same whole; and there can be no better basis for an improvement in the mental and moral stature of the rank and file than the consciousness of work well and truly done. Indeed, the Committee might well have laid much more stress even than they have done upon the central importance of these women's jobs, not only in their present contribution to the war effort, but also in their future contribution, as housewives and workers, to the society to which they belong. There are a few women in high Service positions who are so obsessed by the present fear of creating jealousy among men against the women who are "usurping" their work and by the further dread that a generation of women may be being produced who will be "unwomanly" that they still fail to see that the key to the development of self-respect and self-reliance among Service women is to concentrate on their capacity to perform vital duties with efficiency. One extract from a speech which, according to rumour, was recently made by a high woman officer to a group of officer cadets is perhaps revealing:

If you come to me and say that you have done better than Mabel, I will say: "Well done." But if you come to me and say that you have done better than Tom, I will be angry, because it is not possible.

The quotation may be misleading or inexact. But if there is even the suspicion of a deliberate inculcation of a sense of inferiority, the education (using the word in its truest sense) of the officers and auxiliaries of the women's Services as better and more valuable citizens must be seriously held back. It has been sufficiently proved that Service women can do Service jobs efficiently, often as well as men and often better. The real gain to them and to the community of their war experience will come from their learning to do a job properly and doing it without inhibitions of this kind. The nation owes a debt to its Service women, which it can best repay by securing for them the conditions of work, the conditions of living—and the conditions of pay—which are their due.

NOTES OF THE WEEK

Travelogue

Mr Churchill's tale of his eastern journey on Tuesday in the House of Commons was the fullest, and in some ways the most encouraging, statement on the war for a long time. It was encouraging for the glimpse it gave of an active strategy in the making. The Anglo-American meeting in London last July, which presumably met to work out the details of the plans made earlier by the Prime Minister and the President, may have ushered in a new stage in the conduct of the war by the Allies. The Second Front, wherever it may fall, is plainly in train, though its timing and direction must remain uncertain. The attack on Dieppe Mr Churchill described as a "reconnaissance in force," a "hard, savage clash" of the kind likely to become increasingly numerous "as the moment of full-scale operations approaches." The air bombardment of German Europe, with the notable aid already of high-flying American Fortresses, is going steadily on its set way. Ships, men, supplies and aircraft are mustering at many points for action. In the Far East, there are the beginnings, through the air and sea successes of American and Australian forces, of the process of restoring Allied power in the Pacific. In a sense, Mr Churchill's journey can be described as a Second Front in itself. He went everywhere and saw everybody; at Cairo he ordered a fresh start. But Mr Churchill was frank as well as encouraging. The war at sea is going somewhat better, but still very badly—the Prime Minister might have added that, in many ways, raw material difficulties are worse than ever. The critical campaign of the war, overshadowing all other operations, is the one in Russia; and Stalin and his colleagues have not been satisfied that Britain and the United States have done enough to take the weight off Russia. Mr Churchill's mission to Moscow was to clear away doubts. He believes that he has done this. He believes that the Anglo-American war plan will prove in deeds that the Allies are determined to come to the aid of Russia

as quickly as possible without regard to sacrifices and losses involved so long as the contribution is towards victory.

But deeds alone will tell. It is to be hoped that the newly formed Army of Persia will be fully free to fight beside the Russians in the defence of the Caucasus; if the Russians were defeated it is unlikely that this force could hold Bock alone. In Africa, Rommel must be beaten, and not merely held, if the use of shipping to take 50,000 fresh troops and equipment to Egypt is to seem justified in Russian eyes. Stalin, as Mr Churchill has discovered, has no illusions—but he does believe firmly in a Second Front. It was a great pity that the situation should have been reached where the *bona fides* of the Anglo-American war effort was doubted in Russia. The accord between Britain and the United States is now so unprecedentedly close that there is every reason for drawing Russia, too, so closely into the network of Allied decision that this kind of misunderstanding can never recur. So long as Stalin—or, indeed, General Chiang Kai-shek—seem, in terms of consultation and weight in Allied counsels, to be associates rather than Allies, the gears of Allied war-making will remain liable to slip.

Nothing to Say

There has been much talk about the fact that the two days' debate on war policy, which was to have followed the Prime Minister's statement on the war, petered out in a few hours. The most common explanation is that Members were fully satisfied by what the Prime Minister said. In a sense, this is true; most of the questions which had been in the minds of ordinary MPs were answered. But it is not a sufficient explanation. If the House was satisfied, it was the duty of the Prime Minister's former critics to get up and say so, simply as a matter of decent political propriety. If, on the other hand, they were not satisfied, it would have been helpful to the democratic people of this country to know why some reservations still persisted in the minds of certain of their representatives after the Prime

Minister had said his say. It almost appears as if the new definition of the rôle of Parliament in wartime, with which Mr Churchill has seemed to be playing for some time, is beginning to have some effect. This is not happening because of any pressure from Mr Churchill or his colleagues. Indeed, Sir Stafford Cripps expressed himself disgusted with Members' dereliction of their duty on Tuesday. More likely, the reason is that the present superannuated House of Commons is much too tired, and too light in weight, to do its job properly, constructively and responsibly, through all weathers. In his speech on Tuesday, Mr Churchill drew attention to the difference between his position and that of President Roosevelt and Premier Stalin; he, as he put it, is "liable to dismissal at a moment's notice by a simple vote," and—Mr Churchill made this quite plain—he can only do his wartime job if his plenary powers are continuously renewed. For some time, Mr Churchill has argued that, since all parties are represented in the Cabinet, and since there is no alternative government, which is usually the mainspring of parliamentary debate and procedure, most criticism is out of place, and no more than the carping of individuals. It would be unfortunate if this view were to prevail, and if the Commons were to surrender the duties and responsibilities to which on other occasions Mr Churchill himself has paid eloquent tribute. It is, of course, true that the present position gives an opportunity for cantankerous critics or careerists to advertise their personal discontents. But it is even more true that, if the parliamentary method is to be preserved, a strong, responsible, constructive and critical opposition is essential—even in wartime—not to turn out the Government, which would be fantastic, but to help the Government on its way to victory, and to make certain that no undertone in public opinion goes unheard at Westminster.

Distinctly Satisfactory

Pressed, the Prime Minister admitted to the Commons that the situation in Egypt after the repulse of Rommel's recent attack was "distinctly satisfactory." Mr Wendell Willkie, who has been on tour in the Middle East on President Roosevelt's behalf, has called last week's battle—which he claims resulted in the destruction of about 40 per cent. of Rommel's first-line tank force, as "a resounding victory." General Smuts has laid stress upon the crucial importance of North Africa in Allied strategy and logistics. Mr Willkie believes, so it is reported, that the Second Front may start eventually in Italy or the Balkans, while General Smuts is convinced that the most obvious quick contribution which the Allies can make in Russia's aid is the clearing of North Africa and the Mediterranean. For the moment, Mr Churchill is content to say that Egypt is now safe for several months—which is not enough, if a genuinely offensive strategy by the Allies is now starting, and if the mass of shipping supplies and men used to nourish the Nile Delta is to be justified by its works. Unlike last time, Rommel has not come on again after his initial reverse, which now appears plainly as a major setback for him. So far, a wise reticence has been preserved by the military authorities on the spot. They have made no attempt to define their victory in quantitative terms; but they must be well satisfied with the way in which their defensive system, organised against precisely the out-flanking and encircling tactics which Rommel again adopted, threw the invader back decisively. On the other hand, again differently from earlier campaigns, there has not yet been any follow up by the victor in the first round; Rommel has not yet been thrown back in the usual shuttlecock way to Tobruk or Benghazi. The biggest battle of all has presumably still to come. But two things are clear: first, that Mr Churchill's conferences in Cairo may mark the beginning of a new and possibly luckier phase of the North African fighting; and, secondly, that if the good fortune which may be hoped for prevails, the next battle may be, as it should be, the beginning at the eastern end of the North African front of a campaign, not only to open the Mediterranean, but also to uncover the soft underside of German Europe.

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Backs to the Volga

All that the Prime Minister would say on Tuesday about the war in Russia was to point to the date. At the end of the second week of September, for all his successes, the enemy is still frustrated. The Russians counter-attacked last week-end against the German Kletskaya pincer attacking Stalingrad from the north-west. Over the week-end, the fighting there went in favour of the defenders, and the German reply, when it came, was in the centre of the offensive arc due west of the city, where the Russians were forced to give some ground. The defence goes on, desperate, spirited and incredible, with complete lack of freedom of manoeuvre and with enemy superiority in the air. The failure to reduce the city last week is causing the German propagandists some difficulty. Bock's troops have been fighting in the narrow sector between the Don elbow and the Volga since the first week of August without decisive success, and the tenacity of the defenders has surprised even the victors at Kerch, Kharkov and Sebastopol. On the Black Sea and Caucasus fronts, early and optimistic German statements have also had to be modified. Novorossisk and Grozny remain in Russian hands, although the former is gravely threatened, and may be partially occupied. In the central sector, between Rzhev and Kaluga, General Zhukov is attacking in force, and slowly gaining ground. For the last week, no conclusive results have been achieved on any of the four battle fronts. The great strategic, economic and psychological issues which hang on the fate of Stalingrad are undetermined. The city's plight has become no less grave. But German reports from the front show that the first signs of autumn are already in the air. The priceless time which the defenders of Stalingrad have won, and the cost which they have inflicted, are already having their repercussions in the Reich. The German need to take Stalingrad, to sever the Russian armies, to free the way perhaps for a northward movement against Moscow, or for operations further afield, and to eliminate the possibility of counter-attacks against their offensive salient, is very pressing. The situation remains critical for both parties, and marks a climax.

Bottlenecks

Whatever plans have been laid by the United Nations for the deployment of their strength in the next critical campaigns, transport is still the obstacle to generous planning. The Prime Minister has told the House of Commons that it was difficult to make the Russians comprehend the difficulties of ocean transport, a problem which may have arisen in part from doubts in Moscow as to whether the shipping available for war supplies was yet distributed or allocated in the most effective way. The shipping consumed by the Middle East, apart from aid to Russia, might well be a subject for controversy, in spite of the undoubted fact that, if North Africa can be rolled up, this tonnage will have earned very ample dividends, according to any criterion—and in spite of the fact also that, if Egypt had been lost, the difficulties and dangers of Russia, and, indeed, of India and China as well, must have been much multiplied. Again, it might be argued, especially this time by the Americans, that the predominant influence of meat farmers in British agricultural policy and practice still prevents this country from working out the food policy which would be most economical of shipping. There are these arguments within the framework of the tonnage available. But the outstanding fact is that the tonnage available is not enough to transfer the full strength of the Allies from factory to front. The First Lord of the Admiralty, as well as the Prime Minister, has spoken about the shipping position. Mr Churchill's statement that the months of July and August showed a definite improvement in merchant losses on the months that went before does not quite square with reports from America that July was the worst month yet—unless Mr Churchill's remarks referred to the sinking of British and British controlled vessels only. But, it seems to be an undisputed fact that the rate of construction of new merchant ships by the United Nations is now in excess of the rate of sinkings; for the moment at least, the total fleet available to the Allies is not dwindling, as it was for a period in spite of the output of American shipyards. It is another encouraging sign that the destruction of enemy submarines has been more frequent than at any former period in the war. But, and Mr Churchill made this quite plain, sinkings of submarines have not nearly kept pace with the construction of new submarines; the bombing of German ship-building yards has still not affected the output and assembly

of U-boats sufficiently to prevent a steady increase, in spite of losses, in the U-boat fleet. This means that the danger at sea will remain at a peak for a considerable time to come. The protection of merchantmen, especially in American waters, is vastly better than it was some months ago. A heavy toll will be taken of all attackers. But, in spite of the rising output of Allied shipyards, shipping bottlenecks will remain. Production and strategy will both be narrowed by it; and the raw material position, made more serious by the loss of Far Eastern supplies, by the mounting demand of Allied war factories, and by the relative inexperience of Allied technologists in the economical use of materials, and the development of substitutes, will continue to be a drag and hindrance.

The Pool

A key fact in the progress of the war is the immense shipbuilding capacity of the United States. It is so important that it tends to obscure the fact that the British merchant fleet is still very much larger than the American. When Notes were exchanged between the British and United States Governments last week, stating the basis on which lend-lease aid is given by this country to the American war effort all over the world, some illustrations were given of the kind of assistance which this country has so far rendered; and high in the list is the lend-leasing of merchantmen. In January, the United Nations pledged themselves to employ their full resources in the prosecution of the war against the common enemy. In February, they pledged themselves to pool those resources in order to make the most effective use of them at the points where they can be most effectively applied. Since the beginning of the year, a series of boards has been set up to pool the raw materials, food, finished munitions, industrial capacity and ships of Britain and the United States. The reciprocal lend-lease procedure, which has now been rounded off, is ancillary to this process of joint planning and physical pooling. It is designed to balance the accounts between the two countries as far as possible in mutual aid so as to reduce the need for currency offsets to a minimum. It is no longer true to speak of lend-lease simply in terms of American aid. Indeed, even before Britain was in a position to match American aid by the transfer of supplies and services in the reverse direction, the British Empire had paid cash for a considerably greater value of American goods and services than had been allocated under the Lend-Lease Act. Now the whole process is on a basis of mutual aid; American forces in Britain, in Australia or in New Zealand (separate Notes last week covered these two Dominions) will receive supplies and services free of charge; and in America itself, and elsewhere where military works are in progress, British materials and British devices are already in use on a considerable scale, with barrage balloons on the Pacific Coast, anti-aircraft guns on the Atlantic Coast and British defensive devices everywhere where American forces are to be found. The essence of lend-lease is not, as some glib minds have suggested, the application of the principle of something-for-nothing to international trade. It is rather the application of two other principles: that financial considerations should never be permitted to stand in the way of the interchange of goods and services; and that, at bottom, the principle of payment is goods for goods. A strict account is being kept on the British and American sides; but, in the case of all the United Nations, the only price they really require for the effort they are jointly making is the defeat of the enemy.

Sauve qui Peut

The round-up of Jews which has been going on in both occupied and unoccupied France since the middle of July is still in full swing, and has been extended to include non-Jewish naturalised Frenchmen. The pretext is apparently the need to make up the quota of French labour required for use in Germany, on which there is a very large deficit. And there is no evidence that Laval has found the proposal unwelcome. The German and Vichy Governments appear, however, to have overlooked the fundamental fact that France is not Germany. In Germany, it is apparently possible to subject Jews to inhuman brutality, to deport them, and to break up their families without kindling burning resentment. In Germany, the Churches can apparently be relied upon not to take up the issue. The events of the past six weeks have, however, raised French

resentment against the occupying power, and against the Vichy collaborationists, to a high pitch. In numerous cases, the French authorities have refused to carry out the distasteful orders. General de St. Vincent, the military governor of Lyons, was dismissed at the end of August for non-compliance, and riots have been reported from this district. The Roman Catholic hierarchy, supported by a protest from the Vatican, have also taken a strong line, and numerous priests are in trouble with the authorities. The whole incident displays a curious lack of foresight on the part of the German Government, since many of the unfortunate beings now deported to Germany and eastern Europe were driven from Germany in the course of the last few years. Their persecution will have served the vital purpose of bringing home to many of the relatively sheltered Frenchmen of the unoccupied zone something of the horror of German domination—and something of the moral prostitution of collaboration.

Trade Unions Together

The keynote of the opening days of this year's meeting of the Trades Union Congress, apart from a strongly phrased, needless and somewhat inappropriate excursion by the President into the current controversy about the nature of the German people, has been the manifestation of a strong desire for working-class unity and for bringing the machinery of the trade union movement up to date, in order that it may play a more effective part in the conduct of affairs. The resolution put forward by the National Union of Railwaymen, requesting the General Council to report to the next Congress on the structure of its affiliated unions, with a view to determining "where competition and overlapping exist, where such structure is uneconomic, and where policy is diverse within an industry," was vigorously opposed by Sir Walter Citrine, on the ground that it was impracticable; but it received considerable support, especially from some of the larger industrial unions. These urged the labour movement to put its own house in order first; to present a united front in negotiations with capital; and to adapt itself to the conditions and requirements of modern, large-scale industrial technique. The fact that no fewer than 232 unions attended the Congress, many of them representing less than 1,000 members, is in itself an indication of the sectionalism that prevails today. The defeat of the railway workers' resolution, although by an unexpectedly small majority, means that this sectionalism, with inter-union competition and feuds about lines of demarcation, will continue to rob the movement of its full potential strength. The same evidence of a desire to mobilise the greatest possible force was shown in Monday's discussion. The appeal to let bygones be bygones, and to reaffiliate the Chemical Workers' Union, which had been guilty in the past of "poaching" on other unions' preserves, was rejected by a narrow majority. So was the resolution demanding the withdrawal of Circular 16, banning Communists from election to Trades Councils. The General Council approves the principle of maximum national unity—as witnessed by the President's frank and timely tribute to the leadership of the Prime Minister—but it is apparently not prepared to carry the principle without reservations into its own ranks. The eagerness of the bulk of the working-class to co-operate to the full in the war effort, and to achieve 100 per cent production, was shown in the carrying—much to the surprise of the General Council—of an important resolution calling for more active participation by trade unionists in the management of vital war industries.

Liberals Confer

The Liberal Party Conference last week-end was the scene of lively discussions on a wide variety of issues, national and international, short-term and long-term. There was general agreement about the necessity of planning and for the continuation of some form of Governmental control during the immediate post-war years; it was realised that planning must be international and not purely national, and that post-war security could not become a reality with a return to the pre-war "international economic anarchy." There was, however, considerable division of opinion about how planning should be organised and by whom, what the rôle of the state should be, and what should be the limits of its intervention in the economic field. Liberalism has not lost its voice; but it tends to speak in rather confused accents. The Executive defined the purpose of the state as

to provide the framework, with the aim of freedom and not restriction; state action should be designed to equalise opportunity, minimise social barriers, prevent exploitation and ensure the fullest use of the nation's resources; it agreed in principle to the establishment of an advisory economic general staff. Mr T. L. Horabin went a good deal further; he moved a resolution urging the setting up of a Ministry of National Planning, with the object of securing full employment and with the nationalisation of joint-stock banking and the basic enterprises as a necessary concomitant. Lord Samuel was against a Ministry of Planning, but in favour of a Ministerial Committee; Mr Harcourt Johnstone thought it was impossible to plan for the export trade. The resolution and its seventeen amendments were finally referred back to a special Committee. The complete lack of agreement, even on the more fundamental issues, shows up the great weakness of the Liberal Party at the present juncture. When Lady Violet Bonham-Carter outlined the goal of Liberalism as "Left and Forward," it was clear that many present disagreed. When Lord Meston said that now was the Liberal opportunity, when the revolt against appeasers and the dislike of state control was bringing in new recruits, it might have been commented that a more positive policy than anti-totalitarianism is needed to rally support. The Liberal Party prides itself on its toleration of minority and dissident views, and the mass of the British people have strong liberal instincts; but the virtue of catholicism, when it tries to be an active political force, may prove a weakness.

The New Education?

The Conservative Party has issued an interim report on education, presented by a sub-committee to its Central Committee on Post-war Problems. It is in some respects an extraordinary document. Most educational reformers think first and foremost of the child. They are disturbed about a system which allows the vast majority of children to leave school and stop all their education at the age of 14, which even while they are at school often allows them to be taught in inferior buildings by inferior teachers, and which allows a few children, favoured with adequate means, to obtain the benefits of the public school. It is clearly a disadvantage to the State that most of its citizens should be only half educated and that most of its leaders should be drawn from the small moneyed class which goes to the public schools; but educationists think of the child as father to the nation, and therefore concentrate on what is best for him. The Conservatives apparently think otherwise; the educational aim—"the fullest possible development of the individual"—is criticised as inadequate. What is wanted is the development of a strong sense of national obligation in the individual citizen; he must be encouraged to have "an ardent understanding of the State's needs," and must be rendered capable of serving those needs; national education must benefit the nation no less than the individual. Nobody will question the argument that a will to service should be fostered in individual citizens; indeed, it is generally felt that the will and the patriotism which have been born of the war must be encouraged to persist in the peace. But the tenor of the

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Conservative report savours far too much of the aims of the Nazi youth movement. It is true that the secular bias is counteracted by a section on religious instruction, but the whole report arouses justifiable misgivings. These may be dispelled by the more practical reports which are to come on the public schools and on the 14-18 age group; but the impression gained from this one is that the Conservative sub-committee has adopted a mystical approach to education as a cover for maintaining the present system, especially the public school system, whose "special contribution" to the education of talent and the development of leadership is

too valuable to be jeopardised; and that it would be jeopardised if [these schools] were to lose their independence and become a mere part of the state system.

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Bringing up Reserves

The call-up of both men and women is going forward. Speaking last week-end to the Women's Engineering Society, Mr. Ince, of the Ministry of Labour and National Service, lifted the curtain a little on future developments. The limit may not be reached even with the registration of men up to the age of 50 and of women up to the age of 45. The call-up of men for combatant service will take in older men than at present, and will require a further expansion of the women's Services and an acceleration in the process of the substitution and up-grading of women in industry. All remaining reserves of women will have to be tapped. The needs of the women's Services, which are to be met predominantly from the age groups 20-23, will make necessary a further comb-out of these classes. But it is very doubtful whether these steps alone can solve the problem. If industry is not simply to be starved to supply the Services, there is an urgent need to bring all women not actively employed on work of national importance within the scope of the Ministry. There remain two important reserves: part-time workers and the childless wives of Service men. Mr. Ince put the total of part-time workers at 250,000 and urged that the figure should be raised to 1,000,000 by 1943. This recommendation is crucial and will need to be supported by still more co-operative effort on the part of employers, as well as by increasing vigilance to secure that no part-time job is done by anyone capable of performing full-time work. The second reserve was indicated in the Markham Report on conditions in the women's services. Officialdom is right to be chary of breaking up homes; and the provision that wives of serving men may be directed into industrial employment near their homes already covers a great many cases. But there remains the *lacuna* that wives who choose to set up, or already have, homes in areas where no work is available, possibly, though by no means necessarily, in order to be near their husbands, make no essential contribution to the winning of a war which is everyone's responsibility. In the case of women who cannot live near their husbands, or for various reasons are not doing so, there is every argument for considering them as mobile and compelling the adoption of some form of national service. In the case of wives living with Service husbands, local labour exchanges should examine all the possibilities of finding local employment which could release mobile women. There can be few inhabited places where the direction of childless wives to care for evacuated children or to provide genuinely needed domestic help would not release more highly skilled labour for transfer elsewhere. It may not be possible to solve this problem by wholesale means; but it can and must be tackled firmly by local initiative and resource, with every regard for individual circumstances.

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Australian Austerity

The day after the Australian Budget for 1942-43 was introduced, Mr. Curtin launched an austerity campaign. He showed himself to be under no illusions about the danger that still faces Australia in the Pacific. At the best, he regarded the Solomons battle as the means of providing "a further breathing space"; at the worst, its outcome "may mean disaster, swiftly followed by a direct Japanese threat of a thrust at the Australian shores." Normal living standards, therefore, must be cut by one-third. Mr. Curtin then announced what measures the Government is taking to bring this about. Race meetings are being further curtailed; theatres and other entertainments are to be taxed; luxury meals are to be abolished; and there will be additional liquor restrictions unless consumption is drastically

reduced. The Budget imposes increases of 1s. 7d. a gallon in the duty on beer, and 15s. 6d. a gallon on spirits; 2s. 8d. a lb. on manufactured tobacco, 8s. a lb. on cigarettes and 11s. 4d. a lb. on cigars; and there are also increases in the taxes on playing cards and matches. But for the most part Mr. Curtin is relying on the new taxation imposed in the previous financial year, when severe company taxes were imposed and heavy increases in the taxes on high incomes, and on the controls he introduced last February. It is not certain, however, that these go far enough either to solve the purely budgetary problem or to ensure the success of the austerity campaign. Total expenditure for 1942-43 is estimated at £A549 millions, of which war expenditure, at home and overseas, accounts for £A440 millions. Total revenue is estimated at £A249 millions, leaving £A300 millions to be borrowed, of which 80 per cent is to come from the Australian people. The enforced savings resulting from the austerity measures will hardly do more than nibble at this sum. Nor has rationing gone nearly far enough. Tea, petrol and newsprint are severely rationed since the war has cut off sources of supply, but the effect of clothes rationing has been blunted because it has been announced in advance. Unless he can control spending more effectively than any Australian Government has hitherto been able to, Mr. Curtin will be forced to reconsider the position of the lower incomes which are at present exempt from income-tax. The reduction in normal living standards must apply to them too; this is not a matter for political argument, but is determined by the strict and inescapable logic of war economy.

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Travel Cuts

Transport remains one of the scarcest of wartime commodities, and the growing volume of military and other essential traffic inevitably involves a further restriction on private travelling by rail and road. In explanation of the forthcoming restrictions announced last week-end, the Ministry of War Transport pointed out that at least 250 more trains than a year ago will be needed each day for essential purposes in the coming winter, and that still further economies are necessary in the consumption of rubber tyres and petrol. The case for the elimination of all unnecessary movement is unanswerable. The measures adopted to secure this end are partly physical and partly financial. The Green Line Coach services of the London Passenger Transport Board will be withdrawn at the end of September, but, where necessary, feeder services to and from railway stations are to be strengthened. Other long-distance coach services will also be discontinued, except that portions of the routes may be retained in districts where no alternative facilities are available. Curtailment of travelling by rail is apparently to be secured chiefly by financial measures. From October 5th, cheap day tickets and cheap tickets for pleasure travel will be discontinued, though monthly return tickets will continue to be available and the limitations of distance will be suspended. During the six winter months ending next March, vouchers to travel at reduced fares issued to parents or relatives of evacuated children or families will be issued for three visits only; evacuated civil servants will not be allowed to make free or assisted journeys home more than twice during this period; free travel by members of the Civil Defence Services will be restricted; free travel warrants for seven-day leave in the Army and Royal Air Force will be confined to two journeys, and special concession fares for 48-hour leave will not be available for distances of over 50 miles. By increasing the cost of travelling the Ministry of War Transport may indeed succeed in curtailing travelling, but the method amounts to discrimination between rich and poor. The physical means of restriction is, on every count, preferable to the financial, though the administrative difficulties of any scheme for rationing travel are obvious.

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Scientists and the War

There has been a growing volume of criticism from scientists that the Government was not making the best use of their services. Lately their views have crystallised in the suggestion that it might be possible to attach to the Cabinet offices a central scientific and technical board analogous to its statistical and economic sections. This suggestion appears to have found only partial adoption in the decision of the Minister of Production—whose office already has the task of relating output programmes to

strategic requirements by joint planning—to appoint to his staff three eminent experts in the capacity of full-time scientific advisers. In the announcement issued a week ago, it was stated that the field of activity of these advisers will be co-extensive with the responsibility of the Minister of Production, that is, it will presumably include the co-ordination of production plans with military requirements and technical design, as well as production problems proper.

They will keep in close touch with the scientific advisers of the Service and Supply Departments, and will be able to assist the departmental organisations of scientific research and technical development.

The three advisers will be responsible to the Minister of Production, but they will work under the immediate supervision of Sir Stafford Cripps, the Lord Privy Seal. A meeting of the Parliamentary and Scientific Committee at the House of Commons, while welcoming the appointment of the new staff as the nucleus of a scientific and technical board, criticised it on the ground that its field of activity is apparently to be limited to the sphere of production, and suggested that the Lord Privy Seal should exercise his supervising functions over the new body directly on behalf of the War Cabinet, the aim being to give scientists direct contact with the actual makers of strategy at the highest level of decision.

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You Have Been Warned

Simultaneously with the reappearance of the *Daily Worker*, a warning was issued by the national executive committee of the Labour Party to members of the party, telling them to eschew the Anglo-Soviet friendship committees or other activities of the British Communist Party. How far the rank and file of the Labour party are being won over by the wiles of the Communist party it is impossible to say. The party is certainly artfully capitalising the intense sympathy and admiration for the Russians in their struggle for their country, which is felt to-day among all sections of the British public, and also the underlying revolt of the great mass of the people against the parties and their caucuses. In point of fact, of course, the Communist party is as bankrupt as any of the other political parties if it has to rely on Russian suffering and British

frustration to win adherents. Nor are most people likely to be taken in by its guile, since the CP's attitude up to June, 1941, is well remembered. But the answer of the Labour party and the General Council of the TUC should not be confined to prohibitions and warnings. Indeed, if they in their turn can place nothing more positive before their members, it might be as well for them to lay off the warnings. Otherwise, their attitude may be deliberately misconstrued by the CP as anti-Russian, and is liable to be so misinterpreted by their own rank and file.

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Shorter Notes

The revised house charges for meals in restaurants are a step in the right direction. The maximum charge is to be reduced from October 1st to 3s. 6d. for lunch and 6s. for dinner, against the previous 7s. 6d., and meals served in private rooms are to be restricted to three courses. But limitation of the price of meals is open to the same drawback as limitation of the price of any other commodity. It may check profiteering and the ability of the rich to eat more at the expense of the poor, but it also encourages more people to eat out off the ration. The only equitable solution, for meals as for other commodities, is for price control to be combined with rationing.

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Considerable satisfaction will be felt that the Distinguished Service Order, the Conspicuous Gallantry Medal, and the Distinguished Service Medal have been added to the list of decorations open for award in the Merchant Navy. The first awards of the DSO to officers in the Merchant Navy have been made, and it is significant that they are "for fortitude, seamanship and endurance in taking merchantmen through to Malta," a task of the Merchant Navy in which the risks run are second to none.

*

One at least of the discriminations against women has been removed. It has now been announced that all Service women have the right to be placed on the absent voters' list of their constituency, a right which hitherto has only been granted to male members of the Forces.

AMERICAN SURVEY

The President's Challenge

PRESIDENT ROOSEVELT'S Message to Congress, demanding immediate legislation to authorise him to stabilise the cost of living, with particular reference to farm prices, and greater speed in the formulation of an adequate tax Bill, marks the beginning of a renewed drive on the part of the Administration to deal with the growing threat of inflation. It is also a challenge to Congress to co-operate with the Administration or to forfeit much of its control over the home front. Congress is given one more chance to implement the anti-inflation programme by de-reserving farm prices. But, if adequate legislation is not forthcoming by October 1st, the President promises to act under his wartime emergency power to fix farm prices and stabilise wages. The message, a powerful and persuasive document, not only demands immediate action to control inflation; it appears likely to precipitate a constitutional crisis similar to that over the Supreme Court. *Absit omen.*

The President was emphatic about the need for all-inclusive action to deal simultaneously with every source of inflationary purchasing power. From a political point of view, this is far more likely to succeed than piecemeal attempts to bargain with various groups. But time is growing short. The control of prices which was instituted in May—the only important aspect of the President's anti-inflation programme which has been put into effect—is seriously endangered by the failure to control the growing volume of purchasing power in the hands of the public. The alarm

of the Office of Price Administration is visible in the President's statement that

we cannot hold actual cost of food and clothing down to present levels beyond October 1st.

The cost of all foods has risen about 1½ per cent a month since May, when price ceilings were imposed; and prices of uncontrolled foods, which make up 30-40 per cent of the food budget, have risen 3½ per cent a month in the same period. Between food prices and wage-rates, there exists what has been called a process of complementary provocation. Farmers have been taught to consider their income in terms of parity—that is in relation to industrial purchasing power; and the formula devised by the War Labour Board to govern decisions on wage demands concedes a link between wages and the cost of living.

Both farm income and income from wages and salaries are running at levels about 75 per cent above those of 1939. The wage and salary bill of the United States is now at the rate of \$75,000 millions a year, an increase of 78 per cent over 1939, and is increasing by more than \$1,000 millions a month. The figures of farm income tell the same story. Farm income has risen from \$8,700 millions in 1939 to over \$15,000 millions in 1942, and despite increased costs, net income is expected to increase from \$6,748 millions in 1941 to \$7,756 millions in 1942. On the average, the buying power of farm products has attained the relation to industrial purchasing power that it held in 1910-14, the base year for parity calculations.

A Flexible Policy

The three-point policy that the President laid down for farm prices included the avoidance of inflationary price increases, the stimulation of necessary production and the maintenance of the principle of parity for agriculture. Agricultural ceilings should be permitted at parity or at recent prevailing prices, whichever was the higher. This is hardly a drastic proposal. It probably would mean that most farm prices would be frozen at present levels, which, except for cotton, cottonseed, grain, fruit, and dairy products, are already above 110 per cent of parity; in the case of these commodities fixing the ceiling at parity would permit substantial increases. One of the greatest benefits to be derived from Administration control of farm prices would be the power to direct production through a flexible and discriminating price policy. Existing legislation makes this impossible, by providing that ceilings may not be fixed below 110 per cent of parity, with the consequence that production of staples of which there is a glut is stimulated at the expense of the diversified farming and new products which are essential to the war effort. The wage stabilisation which the President promised to institute as a companion-piece to agricultural price control, although he was careful not to give details, would presumably also be a flexible weapon designed to limit general increases in wage-rates, to stimulate the flow of labour from non-essential to essential occupations, and to protect the standard of living of poorly paid workers.

The futility of prophesying what course the President will take has been strikingly illustrated by the *bouleversement* of correspondents "in the know" who had been freely announcing the imminent appointment of an "Economic Tsar" to govern prices and wages. It still seems likely, however, that wage stabilisation will follow the lines laid down in the "little steel" case. This permitted increases in wage-rates only sufficient to compensate for the rise in the cost of living between January, 1941, and May, 1942, except in the case of obvious sub-standard wages or inequalities. At the time the Board argued that, to be effective, its formula should be made to apply to voluntary wage increases, over which it now has no jurisdiction. These wage and price controls, even if they are instituted immediately, will not be sufficient to preserve present price-ceilings without substantial subsidies.

Nor will limitations on future increases in farm and wage income close the existing "inflationary gap" now estimated at about \$20,000 millions for 1942. For the current fiscal year, ending in June, 1943, it is estimated that Government expenditure will reach \$75,000 millions, of which tax receipts will certainly not supply more than a third. Voluntary savings, on which Mr Morgenthau has placed so much reliance, have been less than satisfactory. The quota for June was set at \$800 millions, but sales only reached \$633 millions and sales in July failed to reach the quota of \$1,000 millions by one-tenth. Compulsion of savings and heavy increases in taxation are obviously urgent if the volume of purchasing power already in existence is to be reduced to manageable proportions. Hearings on the tax Bill, now before the Senate Finance Committee, do not, unfortunately give a great deal of ground for optimism.

The Struggle for Taxes

When the Bill left the House and was sent to the Senate, it contained provisions for only \$6,300 millions additional revenue, rather than the \$8,700 millions which in Mr Morgenthau's opinion is "the very least the American people can afford to provide." The House had scaled down the Treasury's recommendations by \$356 millions in the case of individual income taxes, \$759 millions in corporation taxes, \$316 millions in estate and gift taxes, and \$602 millions in the case of special privileges. Mr Morgenthau has since urged the Senate to increase corporation taxes, and to reinstate the Treasury's recommendations concerning cases of special privilege. These include mandatory joint income tax returns of husbands and wives in "community property" states; the ending of tax exemption on income from State and municipal securities; and the revoking of a 27½ per cent depletion allowance to owners of oil wells and mines. These three recommendations, estimated to produce about \$602 millions additional revenue, have been turned down by the Senate. Last week Mr. Morgenthau tried to persuade the Senate Committee to adopt a graduated tax on spending, part of which would be subject to a post-war rebate; but this has also been turned down, and cabled reports speak of a 5 per cent Victory Tax which has gained the Committee's support. This would be levied on all incomes

above \$624 a year, and would also provide post-war rebates. Information concerning its details is scanty; but the fact that it provides a flat rate for all incomes is likely to incur the opposition of the Administration, which has consistently combated the predilection of Congress towards a sales tax.

Even if President Roosevelt is successful in securing—or assuming—complete control of farm prices and wages, the Congressional control of tax legislation puts serious and continuing obstacles in the way of a co-ordinated anti-inflation programme. It must not be taken for granted, however, that he will succeed in stampeding Congress where persuasion has failed. The farm bloc is strongly entrenched, and will not give in without a struggle. Mr Roosevelt has frequently failed when he has substituted the method of a frontal attack for his usual political technique of infiltration. It is also already evident that Congress feels it is being put on the spot, and the abuse to which it has been subject in the past months, some of it justifiably, but some rather unfairly, has made both Senators and Representatives extremely touchy. Congress might possibly have welcomed Presidential action in the field of price and wage control which would have relieved it of responsibility in an election year, but whether it will acquiesce now, when its goodwill and powers have been challenged, is another matter. Even if the pressure is too great to resist, the defeat will rankle.

Apart from the question of Congressional prestige, which has, unfortunately, been brought into the open, there is also the possibility that Congress may refuse to sanction control of farm prices without legislation freezing wages. There has always been support in both Houses for compulsory wage freezing and suspicion of President Roosevelt's willingness to demand substantial sacrifices from labour. The unions, on the other hand, are determined to avoid any wage freezing which goes further than the War Labour Board's formula; it is reportedly their opposition which caused the President to give up his much-publicised scheme for an "Economic Tsar." The position is that Labour will not agree to any stabilisation without assurance that food prices will be controlled first, and that Congress will be reluctant to grant the President additional powers over prices without guarantees of a strong wage policy. Whether the President's supporters are strong enough to secure for him complete discretion in these matters will be apparent by October 1st. There is no doubt, however, that the country will welcome the President's leadership, and Congress may be sufficiently impressed to swallow its pride.

American Notes

Victory is Not Enough

Breaking a long silence, President Roosevelt last week addressed an international student assembly of delegates from the 29 United Nations. In one of the most moving speeches he has ever made, he pointed out that

The cause of the United Nations is that of youth itself. It is the hope of the new generation—and of generations that are to come—the hope of a new life that can be lived in freedom, in justice, and in decency.

The heavy sacrifices which are being asked of young people to-day, he promised, create a supreme obligation to assure that after the war the provision of jobs, of education, and of opportunities to follow a career should not be left to chance as they were after the last war; but he warned his listeners that victory was not enough, that the new world would come only as the result of bold vision, intelligent planning, and hard work, after years of effort and perseverance. In one passage Mr Roosevelt said

We must be sure that when we have won victory that you will not have to tell your children that you fought in vain—that you were betrayed.

And later,

This time the achievements of our fighting forces will not be thrown away by political cynicism and timidity and incompetence.

Mr Roosevelt was speaking to youth from all the United Nations, but here he evidently addressed himself particularly to the doctrine which in the thirties secured so formidable result of capitalist rivalries in which no principles were at stake. If Mr Roosevelt and men of like mind are able to shape the new world, there will be no similar disillusion-war, but, instead, "steady progress toward the highest goals that men have ever imagined."

Restraint of News

One of the most interesting of recent anti-trust cases is that involving the Associated Press. The Government has petitioned the New York Federal District Court for an order requiring the agency to furnish its service to any newspaper willing to pay for it, and also that the AP be required to divest itself of the stock of Wide World Photos, Inc., which was acquired in 1941. The case originated when the AP refused to sell its service to *The Chicago Sun*, the new Marshall Field newspaper, or to the *Washington Times Herald*, basing its refusal on one of its by-laws which provided that competitors of member newspapers should be excluded from membership and from news distributed by the AP. The Government's case is that these by-laws illegally restrain inter-state commerce in news. The answer of the agency is likely to be that the value of its service would be destroyed if it were available to all newspapers; Mr McLean, president of the AP's board of directors, has argued that the charge is no more than that the agency "seeks to protect its members, who have invested their skill, their work, and their money in its growth." Mr Field, on the other hand, contends that if the suit is successful

it will be one of the most important strokes for the freedom of the Press in the history of the United States.

The merits of the argument have been somewhat obscured in the United States by the fact that the *Sun's* competitor in Chicago is the *Tribune*, leader of a small group of papers which have always been bitterly anti-Administration. This part of the press suggests that the present case is simply the continuation of a vendetta against the *Tribune*. This is unfortunate in view of the intrinsic interest and importance of the issues to be determined.

The Scrap Shortage

An announcement that "unless a miracle happens," a number of steel furnaces will have to shut down because of lack of scrap, has been made by the chairman of the Industrial Salvage Committee. The scrap shortage which has been the main cause of steel mills operating at less than capacity, is not altogether new. Both the President and

Mr Nelson have lent their influence to promote a drive for the collection of scrap, by which it is hoped to collect 3 million tons from industry, and more than 7.5 million tons from private householders. In view of wartime demands, the reasons for the shortage are plain. Consumption is at record levels, while the collection of scrap is increasingly difficult, owing to scarcity of labour and the reluctance of the railways and industry to part with old equipment which is hard, if not impossible to replace. The price of scrap, which stood at \$22 a ton in January, 1941, fell to \$19.17 in April, 1941, and has remained at that level. Sufficient to attract the necessary amounts before the war, it has failed in the last few months to stimulate the collection of scrap equal to war demands. In the words of *Iron Age*, "the psychology of the junkman has been ignored." Government control over scrap collection and distribution is also partly to blame. Responsibility for collection, purchase, and allocation is divided among no less than four authorities, and no action has yet been taken on recommendations for unified control. The difficulty in increasing prices is based on the unwillingness of the industry to see the scrap ceiling raised while its own prices remain frozen. It is hard to see why this should not be surmounted by a Government subsidy to scrap collectors, perhaps along the lines of the premiums now being paid to stimulate metal production. There is no real shortage of scrap that will not yield to a combination of increased prices, better organisation and, perhaps, more vigorous powers to requisition industrial hoards.

Shorter Note

Mr Nelson has appointed a Concentration Committee, under the chairmanship of Mr Joseph Weiner, formerly Deputy Director of the Office of Civilian Supply. Mr Weiner has been an enthusiastic proponent of plans to economise the consumption of raw materials by concentrating civilian production in nucleus factories, but whether he will receive equally enthusiastic co-operation from industry and other branches of WPB is doubtful. It is thought that the first industries to undergo concentration may be farm equipment, porcelain, enamelware, furniture and office machinery, caskets, and cutlery.

THE WORLD OVERSEAS

Oil Reform in Roumania

(By a Correspondent)

ON July 17, 1942, the Roumanian Government passed a new law concerning the exploitation of oil, which has inaugurated a fairly thorough reform of the Roumanian oil industries. Official Roumanian propaganda has, of course, done its best to advertise it as a triumphant act of freeing the country's oil wealth from the grip of foreign capital. German pressure in bringing about the new oil law has, however, been obvious. About half of Roumania's budgetary revenue was until now derived directly or indirectly from the oil industry. The new system of oil taxation will reduce the state revenue from this source by a very considerable amount. The corrupt and greedy Bucharest Government would hardly show so much self-denial had it not been forced to do so by insistent German demands.

The output of the Roumanian oilfields has been declining steadily since 1936, when it reached the peak figure of 8.7 million tons. In 1941, production was already below 5½ million tons. Such a decline could not fail to arouse German anxiety; and though the German press has only too eagerly blamed foreign capital for this decline, it could not help admitting that the irrational Roumanian oil legislation, which was entirely dictated by fiscal considerations, was mainly responsible for the decline.

The new law is said to render the business of oil prospecting and drilling more attractive for private capital than it was under the law of 1937. Hitherto, drilling firms were allowed to exploit only one-third of any newly discovered oilfield. The other two-thirds belonged to the state, and, even on that first third, the exploiting licence expired after two years. The risk for the entrepreneur was high; and

the period of exploitation was, even in the case of successful prospecting, so short that it inevitably meant that oil operations were conducted wastefully. Apart from this, several concessions used to be granted for one oilfield. Entre-

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preneurs tended, therefore, to wait for the results of their neighbour's drilling before starting on any serious operations.

Rationalising Production

The new regulations provide for licences covering entire large oilfields instead of small strips of land. Most of the 300 articles of the new law deal with the definition of what is an oilfield. New concessions will be granted only for fields of the size of 10 to 30 thousand hectares, whereas licences covering some hundred yards were not uncommon under the 1937 law. The holders of old, small licences have been compelled to co-operate; they have been given a time limit to work out plans for pooling their output. Entrepreneurs who fail to co-operate may be deprived of their licences, though they will be entitled to an indemnity. All the firms engaged in prospecting on one field will have a proportionate share in the oil output, no matter which of them has actually found the oil. The Roumanian Geological Institute will supervise and direct any prospecting work throughout the country.

A new geographical distribution of oil industries is envisaged. Until now, prospecting was mainly concentrated in the Prahova and Dambovitza districts. A shift to the Southern Carpathians is now planned, to the regions of Oltenie, East and West Muntenie and Moldavia. New drillers will have the right to exploit 100 per cent of the first well and 75 per cent of the second well in every three wells they find. Only the third well will belong to the state, which has to ensure that its oil reserves are worked economically. It is proposed that only one-third of the two million hectares of oilfields should be exploited within the next ten years. Work on twelve big new oilfields has already started.

The change in the system of taxation is intended to favour big firms, and to squeeze out small enterprises with a low output. The progressive oil tax has been abolished, and the lowest tax rate is now 14 per cent of the output instead of the previous 12 per cent. The pipe lines, which were nationalised in 1940, will be returned to private companies, and only those pipe lines which are vital for export business will remain in the hands of the state.

Another interesting point is that the state monopoly for the exploitation of oil gas has been abolished. The monopoly impeded the exploitation of oil layers underneath the gas. Private companies will now be able to obtain licences for gas too; the state has preserved only the right to supervision. Seventy-five per cent of the capital of new oil firms must belong to Roumanians of "pure race." The whole oil output must be refined inside the country.

It seems that on the whole the new law, planned by the ex-Minister of Economy, Marinescu (himself an oil man), has some chance of bringing about an increase in output. The question is how much time it will take for the reform to yield the expected results. German expert estimates are rather cautious; they say that two years are needed before a substantial increase can take place.

Irish Banking Liquidity

[FROM OUR DUBLIN CORRESPONDENT]

August 30th.

Four of the Irish banks issue half-yearly reports and hold half-yearly meetings. It is possible by studying these reports and the proceedings at these meetings to learn something about the trends in Irish banking as a whole. The following figures indicate the main movements of the four banks whose figures are available:—

(£'000)			
January-June	1940	1941	1942
Deposits	85,341	93,047	102,006
Advances and Bills	44,633	41,389	39,625
Investments	37,595	44,480	54,388
Net Profits	213	192	208

The outstanding feature is the large rise in deposits which have now reached record dimensions. This increase is the result of the active balance of trade caused by the difficulty experienced in obtaining imports from Great Britain and abroad. A great deal of money is condemned

to idleness owing to the lack of favourable opportunities for investment. To the extent to which the bank deposits have been swollen by this cause, the increase must be regarded as essentially of a temporary nature. Any improvement in the shipping position, not to speak of a cessation of hostilities, would lead to a withdrawal of deposits on a large scale. Hence the banks have increased their liquidity by holding large quantities of cash and money at call and short notice. Although one bank has experienced an increase in advances, the general trend has been downwards. This, again, reflects the lack of demand for accommodation owing to the scarcity of investment opportunities. The amount of bills outstanding is also reduced. In Ireland, the amount of bank bills is closely related to the activity of trade and commerce. All the bills are either agricultural or commercial. The Irish banks do not hold any Treasury bills, and at the present time there are no Irish Exchequer bills outstanding. One of the banks includes amongst its assets Treasury deposit receipts, but this is exceptional. The increase in deposits has its reflection on the assets side of the balance sheet in the great increase in investments. These are practically all either British or Irish Government securities. They are valued at less than their market value and constitute a very marketable asset, if not in the strict sense a liquid one. The increase in profits is a satisfactory reversal of the downward trend of recent years. It is the result of the increase in the total volume of resources together with the increased bank charges which came into operation this year. The revenue from the latter source is less than was originally hoped, since customers have evaded the charges by using cash for many transactions which they would otherwise have settled by cheque. The increased use of cash is one of the causes of the large expansion of the legal tender note issue.

The chairmen of the banks in their speeches at the half-yearly meetings reviewed the economic and financial position of the country. The outstanding feature from the banking point of view has been the growing inward balance of payments. In the six months ended May of this year, the inward balance amounted to £2,022,234. In the six months ended May, 1941, there was an outward balance of £2,970,020. This great change, aggregating practically £5,000,000, is attributable to an increase in exports of £5,475,736 against an increase in imports of only £483,482. The considerable increase in the export figure arises from increased values rather than increased volume of trade. The accumulation of sterling balances resulting from this change is the cause of some adverse criticism. In fact, however, Ireland is not exceptional in this respect. Many other countries trading with Great Britain, including the Dominions, have accumulated sterling balances, and practically every country on the Continent has accumulated similar balances in Germany. Most of the countries which have acquired sterling balances during the war have utilised them to redeem outstanding external debts. Ireland is, however, a creditor country and is not able to utilise its balances for this purpose. It is obvious, of course, that any serious depreciation in the value of sterling would have extremely adverse consequences for the Irish banks. The policy of Great Britain and the United States in combating inflation is therefore studied with interest, not untinged with anxiety, by Irish bankers and their customers.

Prosperous Agriculture

Agriculture is experiencing a period of prosperity, though nothing like that enjoyed in the last war. There is a good demand for cattle and horses, and the export of canned meat constitutes a new and growing trade. Owing to a shortage of supplies for home consumption, the export of butter and bacon has been stopped. The outlook of the dairying industry is far from satisfactory, and the problem of putting it on a profitable basis is being thoroughly investigated. In spite of the shortage of fertilisers the harvest promises to be good. If the war continues much longer there is a danger of the land being overworked. The fertility which is being used up for the new crops is not being replaced, and to this extent Ireland is living on capital. Land values are rising, but there is no sign of any boom in land such as occurred at the end of the last war. The recurrence of a boom is unlikely in view of the attitude of the banks, which advanced too liberally twenty years ago and involved themselves in some bad debts in consequence. Bank advances for the purchase of land will not, it is safe to forecast, be readily forthcoming. The secondary industries have been severely impeded by the reduction of imports of raw materials and

fuel. The supply of substitute fuels such as turf and wood is increasing, but their transport gives rise to many difficult problems. From the point of view of unemployment, the most serious shortage is that of cement, the supply of which has been drastically curtailed owing to reduced imports of coal. The biggest industry in Ireland outside agriculture is the building industry, which uses a great deal of cement. It is feared that a very large number of men will become unemployed in the building trade if increased supplies of cement are not forthcoming.

The Falange Today

[BY A SPANISH CORRESPONDENT]

THE development of a radical wing in the Falangist Party has been fostered by the very nature of Fascist doctrine, which is revolutionary and not conservative. It has also been assisted by the attempt to break down the opposition of the masses in the part of Spain occupied by the rebel army during the civil war (particularly of the peasants in Andalusia), and of the whole of the State later on. This led the Falangists—as before them the Fascists and the Nazis—to take over all the insignia of the working-class parties: the blue shirts of the Socialists, the black and red colours of the Anarcho-Syndicalists, their habit of addressing one another as "Comrade," and all the phraseology of revolutionary propaganda. The plight of the peasants, especially in the south, in Extremadura and Castile, is serious enough to move any young Falangist who honestly imagines the party to be a force that may revitalise Spain. The radicalism of these Falangists is a hedgehog attitude of defence both against the old Republican side, which charges them with subservience to the reactionaries, and against their own less radical party colleagues.

There are genuinely revolutionary elements within the Falangist ranks. Former Socialists and Anarchists have had to become members of the Falange, because nobody can get a job without showing a membership card of a Falangist syndicate. Anyone with the fatal word *Rojo* stamped on his identity papers is faced with starvation. By joining a Falangist trade union, a man can not only get a livelihood, but may also spread his own ideas cautiously among his fellows. Thus, in some places, in Barcelona for instance, employers are outraged to find that some of the very men who seized control of their businesses during the revolutionary period at the beginning of the civil war are now active Falangists, and that, in practice, there is not much difference between the old Anarchist and the new Falangist syndicates. In other districts, the fears of the upper classes are even greater, because these former left-wing elements are now to be found even in the Falangist Militia.

Some progress has been made along the path of the so-called national-syndicalist revolution. The Labour Charter, inspired by the Italian Fascist *Carta del Lavoro*, was intended as a step in this direction, although ultimately hedged with many reservations. Another step was the creation of the National Labour Syndicates, in which the workers' and employers' organisations have been merged. This was described as a step in the Falangist revolution towards the corporative state formed of "vertical syndicates" controlling all branches of economic life. In February, 1941, the railways were nationalised. State intervention in private enterprise is constantly increasing. Because of the food shortage, employers were made responsible for feeding their workers. About 140 Catalan textile magnates were court-martialled, and others fined millions of pesetas, on charges of selling goods above the official prices. Last January, there was a scare about a rumoured capital levy.

The Falange is now reported to be planning a scheme for agrarian reform, more radical than that passed by the Republic, and in accordance with the programme of the Falangist State. The scheme includes the suppression of *latifundia* (Point No. 18 of the Programme), redistribution of arable land in order to set up family estates (Point 19), and the restoration of the communal property of the villages (Point 22). It claims for the State the power to expropriate land without indemnity where ownership has been unlawfully acquired or enjoyed (Point 21).

A speech made by the Minister of Labour, Sr. Giron, to the miners at Linares in the South of Spain on May 2nd last, throws a very clear light on the revolutionary tendency of the Falange. Sr. Giron represents the party as a revolutionary force fighting on two fronts. Among the

working-class, it finds a lack of understanding, and scepticism—which he is anxious to dispel—as to the revolutionary character of Falange. With Conservatives, it is at grips with a "powerful resistance very cleverly organised." The real fight is between the Falange and the capitalist counter-revolution. What the workers really need is "more bread and fewer words." But Giron warns them that the working-class has no longer any power to start a social or economic revolution; only the Falange can do it. At present, there are people "ready to tolerate social advancement, not because they are in sympathy with the workers, but simply because they are afraid of opposing the Falange and General Franco." The Minister insists that the Falangists are not just indulging in vague revolutionary talk; they mean what they say. Revolution means "the elimination of every obstacle that hampers the development of the country." As a first step, he advocates nationalisation of the banks. The sovereign rights of the people must be released from the grip of big business. He quotes José-Antonio Primo de Rivera, the founder of the Falange: "We shall pull down the economic apparatus of capitalist ownership and substitute private, family, communal and syndical ownership." Besides the economic revolution, the Falange desires social revolution. It repudiates both the present social organisation and the social classes created by economic liberalism. Former Conservative allies, who gave encouragement and sympathy as long as they thought that only the Republic was going to be destroyed, are now showing bitterness and animosity against the Falange. General Franco made a speech on May 30th bitterly attacking the right-wing elements.

In reaction, the right wing—a minority within a minority—are now aiming at the revival of an absolute monarchy. In the good old Spanish tradition of the *pronunciamiento*, just as they plotted with the army against the Republic, they are now plotting with it against the Falange. The former Under-Secretary of the Falange, Luna Melendez, declared, on June 10th, that this "dangerous game, of which they ought to be ashamed," had failed. The latest developments [discussed in a leading article on page 323] leave the issue still in doubt.



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Russia at War

The New School Year.—In the first days of September, the Soviet schools started their second school year in war time. Two million teachers and pupils have returned from the countryside, where they took part in the harvest campaign, to towns and townlets. The entire educational system has had to overcome enormous difficulties. Some idea of those difficulties is given by the fact that in Uzbekistan alone about two thousand new primary and secondary schools have been built this year; they will accommodate the children of evacuated workers. The figure gives an indication of the scale of the evacuation and of the masses of people who have been affected by it. The position seems to be more or less similar in the other reception areas throughout the Central Asiatic republics. The furniture and equipment of the new schools had to be provided by local, rural and urban organisations. Another difficulty, this time in Western Russia, has been the repair of school buildings, particularly in the areas recaptured by the Russians. It is said that no fewer than 100,000 buildings have been repaired; and in the liberated areas 2,000 schools which were destroyed, have now been rebuilt.

Interesting changes in the curriculum have been announced. Military training will figure prominently in the new teaching programmes. Rural schools will open special courses to train tractor drivers and engineers. The teachers have undergone special training in connection with these new requirements. Some 25,000 new teachers have finished special courses in agricultural subjects; and, in spite of war-time shortages, an enormous mass of new text-books has been issued. Over 15,000,000 text-books, it is said, have already been released; and many more are printing. The stress which is being laid by the authorities upon the resumption of normal teaching, frequently under the most appalling material conditions, is one of the most impressive features of Russian life in war time. The genuine enthusiasm for knowledge and education, which has been typical of post-revolutionary Russia, has not been quenched by all the recent sufferings of the Russian people.

them. All the Caucasians in a single fighting companionship will defend their Motherland—the Soviet Union.

Vegetables and Potatoes.—Five million Soviet industrial and office workers have been growing vegetables on one and a quarter million acres of allotments. This large scale kitchen gardening is to provide one of the most important food reserves during the coming year. How much importance is attached to it is shown by the fact that the Central Council of the Trade Unions has issued a special appeal to workers and their families to harvest vegetables in good time and without loss. Factories have also been cultivating their own kitchen gardens; and for the gathering in of their vegetables the workers and their families will be mobilised.

The main difficulty is proper storage of the vegetable and potato crops. Storage facilities have been short of requirements; and, some years ago, a substantial part of the crops used to rot away. Factories have therefore been obliged to prepare adequate storage facilities. Thus, the Coal Combine of Karaganda, the second biggest mining centre in Asia, has received an order to provide fifty cemented pits for pickling its vegetables. The Combine has not fulfilled this part of its "plan," and it is being pressed to make good the arrears as soon as possible.

As in the harvesting of grain so also in the harvesting of vegetables, transport shortages have been felt acutely. The shortage has been not only of tractor power; but also of horses and other draught animals. Still another difficulty is packing. Vegetable farmers have been asked to dry their vegetables; as the produce is less bulky after drying, it needs less packing materials. It also saves transport space, and is more handy for supplies to the Army. Farmers have also been urged to gather the "wild crops," of mushrooms and of all kinds of berries.

Shorter Notice

"Building Societies Year Book, 1942." Franeay and Co., Graham House, Tudor Street, London, E.C.4. 10s. 6d. net. 411 pages.

Although reduced in size, the "Building Societies Year Book" retains all its familiar features. Despite the inability to provide details of a small minority of societies which have suffered the effects of air raids, the 1942 edition is able to provide a comprehensive and accurate picture of the building society movement in the third year of war; of the financial changes attendant on the standstill imposed on private building, and of the measures which the movement is taking to prepare for the requirements of post-war rehousing.

Books Received

The Netherlands Indies and the United States. By R. Emerson. (Boston, Mass.) World Peace Foundation. 92 pages. Cloth \$0.50. Paper \$0.25.

The Structure of Netherlands Indian Economy. By J. H. Boeke. (New York) Institute of Pacific Relations, 201 pages. \$2.50.

The Post-War Industrialization of China. By H. D. Fong. (Washington, D.C.) National Planning Association, 800. 21st Street, N.W. 91 pages. 50 cents.

Industry in Southeast Asia. By J. Shepherd. (New York) Institute of Pacific Relations. 133 pages. 75 cents.

Progress and Welfare in Southeast Asia. By J. S. Furnivall. (New York) Institute of Pacific Relations. 84 pages. 75 cents.

Formosa To-day. By A. J. Grajdanzev. (New York) Institute of Pacific Relations. 193 pages. \$1.00.

Government and Nationalism in Southeast Asia. By R. Emerson and Others. (London) Allen and Unwin. 242 pages. 10s. net.

The Independent Regulatory Commissions. By R. E. Cushman. (London) H. Milford. 780 pages. 28s. net.

Essays in Transportation in Honour of W. T. Jackman. Edited by H. A. Innis. (London) H. Milford. 165 pages. 11s. 6d. net.

Women in War Industries. By Helen Baker. (Princeton, N.J.) Industrial Relations Section, Princeton University. 82 pages. No price stated.

THE BUSINESS WORLD

Window Dressing

BY "window dressing" is meant the practice followed by many public companies of so redistributing their assets on the date of their balance sheets or other periodical returns as to show a more liquid position than actually obtains on other days of the working year. It is more commonly applied to banks than to other companies. This is because the clearing banks, in preparing the monthly returns which they publish, dress their windows more often than other undertakings. Moreover, in the case of the banks, liquidity is a virtue of particular weight and publicity value; their redistribution of assets at set dates is therefore more vigorous than is customary with the general run of commercial and industrial concerns.

It is with reference to the banks' making-up that the term window dressing is most generally used, and it has for many years formed part of the accepted phraseology of the money market. Familiarity has not, however, endeared it to the banks. They have consistently objected to its alleged implications of the bogus and the meretricious. In their defence, they have evolved a justification for the practice which, at any rate until the beginning of the war, could be said to have some weight. The main argument they adduced in favour of window dressing was that it kept a healthy control over the discount market. The banks in working up their cash holding on balance sheet or "making-up" days normally do so by calling in short loans from the money market. This procedure subjects the discount market—on which the banks' second line of liquidity defence depends—to periodical tests of its own liquidity. Moreover, when all the banks are calling up loans on the same day—as on the final working days of the year and half-year—the discount market was, before the war, compelled to borrow extensively from the Bank of England. This in turn provided a severe test both of the quality and the volume of the paper which the market carried in its portfolios. These six-monthly visits to the Bank were a salutary safeguard against over-trading and against dabbling in bills which were not eligible for rediscount or collateral at the central bank.

This justification of window dressing has been largely demolished by the war. The large bulk of the bills run by the market now consists perforce of Treasury bills. No test of their quality is needed. As for the dangers of over-trading, it is not in its true discount business that the market needs control, but in its now overwhelmingly more important bond business; and in this direction the clearing banks' periodic calling up of loans can exert no control, since almost the whole of the discount market's bond financing is based on loans from other than clearing banks—the reason being that non-clearing bank money has for a long time past been available at lower rates than the fixed 1½ per cent charged by the clearing banks for bond money. It follows that the corrective of window dressing by the clearing banks does not touch that part of the discount market's activities in war-time which is perhaps most in need of occasional check and correction. In any case, the supervision of the Bank of England over the discount market can be trusted to prevent over-trading and achieve any other measure of control far more effectively than any indirect and incidental effect of window dressing by the clearing banks.

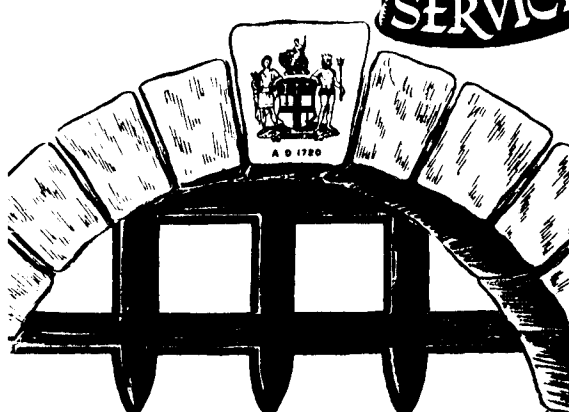
The war brought certain changes in the incidence of window dressing. Until September, 1939, each clearing bank made up its position on a certain day of the week and the monthly returns were averages of the weekly figures. On the outbreak of the war, it was announced that the monthly returns would no longer be published—presumably for reasons of "security" and to save labour. There was

an immediate outcry against this extension of the statistical "black-out," and the banks relented. The basis of their monthly returns was, however, changed. The banks ceased to make up once a week and began to do so once a month. It may be assumed that, if the banks had had their way about the discontinuance of the monthly returns, there would automatically have been an end to window dressing, except at the half-yearly balance sheet dates. It is perhaps unfortunate that the public was not allowed, for a month or two, to have this verification of the true purpose for which the banks go to the trouble of window dressing.

It might have been supposed that, with the advent of war and the virtual disappearance of such case as might previously have been pleaded for window dressing, the clearing banks would have abandoned, or at least moderated, the practice. The available evidence suggests that, on the contrary, the extent of this window dressing has increased appreciably during the past two years. The data for measuring the extent of the clearing banks' window dressing can be collected and presented with a very fair measure of accuracy; they will be found set out in the accompanying table, which goes back to 1938.

In column A the figure is given of bankers' deposits at

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the Bank of England as at the close of business on Wednesdays and averaged for the periods shown. These totals have to be corrected in order to measure that part of the bankers' balances which is held for account of the clearing banks. The ratio of these two varies somewhat from time to time; but if it is assumed that clearing bank balances represent about 95 per cent of the total the margin of error will not be large. The figures of bankers' balances, so adjusted, are given in Column B. Next (in column C) are given the Bank of England's monthly compilation of notes and coins held by the clearing banks, based on Wednesday figures submitted to the Bank by the clearing banks, and, therefore, exactly comparable with the figures shown in columns A and B. By adding B and C a true figure is thus obtained of the clearing banks' total cash on each Wednesday expressed as a monthly average; these averages are shown in Column D. These figures of bank cash can be compared with the totals revealed in the clearing banks' aggregate monthly returns. These, shown in column E, will be found to exceed persistently and, latterly, by a considerable margin, the cash holding as calculated, not on the making up days, but on the Wednesdays of each week. The best measure of the discrepancy is to relate the published and true cash totals to the clearing banks' deposits (column F) and to contrast the cash ratios which appear in the banks' monthly returns (column G) with the true cash ratio (column H). Finally (in column I), the disparity between the two sets of ratios is expressed as a percentage of the higher. It should be added that even these figures tend to belittle the disparity between the true and window dressed figures. This is because four out of the eleven clearing banks do their monthly making up on Wednesdays, while the end of the year and half-year sometimes fall on a Wednesday. To that

admittedly small extent the Wednesday figures are also contaminated by window dressing, and do not accurately measure the cash position on non-making-up days.

The disparity between true and published cash ratios has increased considerably since the war. The banks may do their making up less often, but their compensation for this is to do it more vigorously. A discrepancy of less than 10 per cent in the period 1938 to 1940 grew to 17.1 per cent in 1941, while for the past 12 months the percentage has hovered around 20, exceeding that figure in the months of December and June, when, of course, window dressing reaches its half-yearly climaxes. Why this intensification of window dressing when the always slender justification for it has disappeared, and when the keen inter-bank competition, in which the brandishing of high liquidity ratios might have played some part, has been put in cold storage for the duration? The answer is probably to be found in the banks' desire to maintain profits and in their unwillingness to offend against the hallowed tradition of a minimum 10 per cent cash ratio. Given the present liberal character of the control of credit exercised by the authorities, the clearing banks no doubt consider that they can, with complete impunity, allow their cash holding to fall appreciably below the recognised traditional minimum and thus defend their profits against the encroachments made by the persistent reduction in advances, their most remunerative assets. They would be fully justified to reason thus. But if the banks are in effect working normally to an 8 per cent cash ratio, why make the pretence that the 10 per cent tradition is still sacrosanct? If the true figure were put in the shop window no confidence would be undermined, no business would be lost, and something would be gained for the cause of accuracy and integrity in banking statistics.

In Million £s

Averages	Bankers' Deposits at Bank of England		Notes and Coins held by Clearing Banks	Clearing Banks' Till Money		Clearing Banks' Deposits	Published Cash Ratio	True Cash Ratio	Index of Disparity between G & H
	Actual	Corrected for Clearing Banks		On Wednesdays	On Making-up Days				
A.	B.	C.	D.	E.	F.	G.	H.	I.	
1938	106	101	117	218	241	2,277	10.6	9.6	9.5
1939	103	97	129	226	244	2,248	10.9	10.0	8.3
1940	11	105	138	243	268	2,506	10.7	9.7	9.4
1941	123	116	142	258	311	2,970	10.5	8.7	17.1
August	108	103	144	247	316	2,997	10.5	8.2	21.9
" September	130	123	143	266	330	3,115	10.6	8.5	19.8
" October	122	116	142	258	328	3,176	10.3	8.1	21.3
" November	129	122	144	266	332	3,208	10.3	8.3	19.3
" December	149	142	143	284	366	3,329	11.0	8.5	22.7
1942 January	140	133	149	282	330	3,222	10.2	8.8	13.7
February	131	124	143	267	318	3,085	10.3	8.7	15.5
" March	135	128	143	271	347	3,072	11.3	8.8	22.1
" April	126	120	141	261	319	3,081	10.3	8.5	17.5
" May	129	123	143	266	326	3,131	10.4	8.5	18.3
" June	130	124	147	271	355	3,263	10.9	8.3	23.9
" July	141	134	146	280	342	3,264	10.5	8.6	18.1

Finance and Banking

Fall in Bill Rate

The feature of the money market this week has been the sudden increase in the banks' demand for bills. The market has been rather better placed than in previous weeks to satisfy this demand since at last Friday's tenders for Treasury bills it obtained a 44 per cent allotment as against the previous 31 per cent figure. The higher allotment was obtained at the cost of some decline in the rate. The syndicate evidently decided that they must increase their allotments of bills, and consequently raised their price for the 91 day bills now being tendered for, to £99 15s. In order to meet this competition the official tenders had to be placed at £99 15s. 1d. and the average rate at which the £75,000,000 of bills were issued fell to 19s. 10.62d. per cent, the lowest figure recorded during the war. To the discount market the increase in the bid price means the virtual elimination of all profit on turning over bills to the clearing banks or running them

with clearing bank money, the turn being 0.164d. per cent. But the bill side of the business is now very much of a side show to the discount market. The cut in the bill rate may, on the other hand, have played some part in stimulating the rise in short-dated Government bonds which in these days are of far greater concern to the market. It is only by appreciating this pull of interest within the market between the margin of profit earned on bills and the effect of low bill rates on the bond market that one can understand the policy of the market syndicate at the Treasury bill tender. The banks' keen demand for bills is an indication of the ease of money which has been so apparent this week. The Bank return shows bankers' deposits at £831,505,000, an increase of £8,549,000 on the week. The main contribution to this expansion in bank cash was a running down of Public deposits by £6,679,000, while in addition there was an increase of £5,470,000 in Government securities. The circulation increased by a further £1,488,000 over the week.

Bank Credit Expansion

Last month's slight setback in the volume of savings reaching the Exchequer through the tap issues of the Government had its counterpart in increased direct extension of bank credit to the Government. The main movement, in this context, has been the increase in Treasury deposit receipts, this item showing an advance of £27,000,000 in the clearing banks' aggregate returns for August. In addition, discounts have risen by £10,850,000, and it may be assumed that the whole of this movement was accounted for by Treasury bills. The banks also saw fit to increase their holdings of longer term Government paper by £6,685,000 during the month. An increase of £1,527,000 in short loans reflects a larger volume of Treasury bills held by the discount market. As against this mounting tide of

(In £ millions)

	Aug. 1941	Apr. 1942	May 1942	June 1942	July 1942	Aug. 1942
Capital and reserves	140.2	140.3	140.3	140.3	140.3	140.3
Acceptances, etc.	100.5	97.8	95.9	92.4	89.8	88.8
Notes in circulation	1.4	1.5	1.5	1.5	1.5	1.5
Current, deposit and other accounts	2,997.1	3,081.5	3,131.2	3,263.1	3,264.0	3,304.6
Total liabilities	3,239.2	3,321.1	3,368.9	3,497.3	3,495.6	3,535.2
Cash	316.2	318.8	326.4	354.6	341.9	351.3
Cheques, balances, "and items in transit	107.6	124.2	125.2	143.2	115.3	112.8
Money at call	139.5	136.0	135.1	147.3	131.7	133.2
Discounts	265.9	258.1	290.7	292.0	272.5	283.4
Treasury deposit receipts	468.5	449.5	470.5	542.5	607.0	634.0
Investments	935.2	1,048.4	1,049.4	1,058.3	1,074.8	1,081.5
Loans and Advances	838.0	821.2	810.7	800.3	795.9	783.5
Investments in affiliated banks	23.8	23.8	23.8	23.8	23.8	23.8
Cover for acceptances, premises, etc.	144.5	141.1	139.1	135.3	132.7	131.7
Total assets	3,239.2	3,321.1	3,368.9	3,497.3	3,495.6	3,535.2

Government paper held by the banks, the item of loans and advances continues to decline. The drop last month amounted to £12,344,000, and has carried the total to £783,546,000, the lowest figure since the end of 1935, when bank deposits were £1,200,000,000 lower than they are to-day. Last month's changes among assets have left the total volume of bank credit outstanding higher by £40,651,000, this being the increase in deposits. At £3,304,648,000 these are now within £24,507,000 of the record set up by the seasonally inflated figure of December 31st last. As usual, the expansion in deposits has been accompanied by an almost exactly corresponding movement in bank cash, and the latter, at £351,278,000, represents 10.6 per cent of deposits as against a ratio of 10.5 per cent for the previous month.

Mortgage Bank for Australia

Despite the almost unbroken record of failure which has attended the intrusion of the Australian States in the realm of rural banking, the Commonwealth Government is determined to push on with its plans for establishing a Mortgage Bank. Mr Chifley announced in the course of his recent Budget speech that the necessary legislation for setting up such a bank "as a new department of the Commonwealth Bank" would be introduced in the near future. With the principle of mortgage banking, it is impossible to quarrel. It is the record of its application in Australia, as well as the astonishing timing of the measure, which raise doubts about the proposal. As so many items in the Commonwealth Government's credit policy, the inspiration for the present proposal is to be found in the report of the Banking Commission which appeared in 1937. This recommended that one or more mortgage banks should be established to provide facilities for fixed and long-term lending. Much of the agricultural credit has hitherto been granted by the trading banks, and the Banking Committee suggested that the possibility of these credits being suddenly recalled, together with uncertainties about the rate of interest charged, made them an undesirable form of agricultural credit. As far as rates are concerned, the trading banks would not now be allowed to charge more than 5 per cent. At many points their agricultural credit activities have had to meet the competition of state enterprises of various kinds, pastoral finance companies and rural or credit

fancier banks. There have been some instances of such state banks being conservatively and successfully managed, but their record is in general one of failure.

The biggest of these was that of the Agricultural Bank of Western Australia, which has lost about £12,000,000 of the capital originally supplied by the State Government. It is now confining its activities to nursing existing assets which are secured by 13,000 properties, of which 3,000 have been abandoned. The Rural Bank of New South Wales, another of these institutions, had 6,140 long-term loans outstanding on June 30, 1938, and of these, 46 per cent were in arrears. Of the 10,281 overdrafts no less than 52 per cent. were in arrears. In general these agricultural banks have been launched with essentially political and not economic motives. As was stated for the Agricultural Bank of Western Australia, in evidence before the Banking Commission, "we are not a bank in the ordinary sense, we are farm builders, we used to take a virgin block of land and a man with no capital, and would set out to build a farm." Hence, it was argued that the policies of this and similar institutions should be free from the strictures of banking standards. As the proposed Mortgage Bank is to be organised and staffed by the Commonwealth Bank, one may rest assured that an effort will be made to keep clear of the mistakes perpetrated by some of the state institutions. The new bank will be able to offer more attractive terms to farmers than the state institutions, since it has already been announced that it intends to lend on long-term at a lower rate than the 5 per cent ceiling set for the trading banks' overdraft rate. It follows that the new bank will probably get the cream of such mortgage business as is available, and that its intrusion in this field will leave the various state rural and agricultural banks with even more unenviable prospects than those which face them to-day.

Australia's Overseas Obligations

A badly transmitted summary of the budget speech of Mr Chifley, the Commonwealth Treasurer, and an even more unfortunate interpretation of one of its sentences in an organ of the British press, conjured up a momentary vision of Australia defaulting on its external debt. The phrase in question was one in which Mr Chifley suggested that the Australian Government had arranged with the British Treasury to postpone the settlement of financial obligations which the Commonwealth could not meet. This arrangement, apparently, had nothing to do with the bonded sterling debt. It refers to the war indebtedness incurred by the Commonwealth in the United Kingdom and does not affect the obligations to overseas bondholders or any other contractual liability. The official correction of the false interpretation of Mr Chifley's speech, incidentally, provides the first official intimation that the war expenditure of Australia in this country has had no impact on Australian balances here, but is accounted for in separate inter-Treasury accounts which are carefully segregated from the other overseas payments and receipts of the Commonwealth. It is probable that this system of inter-Treasury accounting applies to all the Dominions, and that the arrangements are reciprocal and cover war expenditure by the United Kingdom in the Dominions concerned. In the case of Canada, the position is, of course, governed by the special "free gift" scheme. But elsewhere debits and credits are arising, comparable in their nature to the lend-lease operations, but differing from them in that they are expressed in monetary terms and recorded by the parties concerned in a series of inter-Treasury accounts.

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Investment

Equity Rise Continues

With scarcely a pause, the rise in industrial equities, which was a feature of last month's markets, has continued throughout the past week, to the accompaniment of virtual stability in fixed interest stocks. While prices have risen in general, attention has centred mainly on home railway securities, with subsidiary centres of interest in the shipping and oil share markets. The dangers attaching to railway stocks in the post-war period have been stressed here often enough. But the latest rise in this class of investment is sufficiently explained by the fact that their figure in *The Actuaries' Investment Index* fell last month by about the same amount as the total index rose. It is evident that the investor is conscious of the risks he takes, but that some people find a current yield of from over 5 to as much as 10½ per cent, in the case of London and North Eastern second contingent preference, too attractive to be resisted. The rises in shipping shares and in oils are both recoveries from earlier falls which occurred against the general trend. If a wider view is taken of recent movements, the contrast between the rise in equities and fixed interest stability continues to be noteworthy. It cannot be said to have assumed striking dimensions, but, since mid-April, the fixed interest index of *The Financial News* has fallen by 1½ per cent, while the equity figure has risen 10½ per cent. The former is, however, still above the level of early December, 1941, when the latter reached its temporary peak of 83.2, compared with the present figure of 84.5. Taking a pre-war comparison, the latter figure was that ruling in early June, 1939, when the fixed interest index was around a temporary high of 120.5, against the current figure of 133.3. There is, thus, a very long way to go before anything approaching the pre-war relationship between the two figures is restored, but the general run of the figures does suggest that the effects of vesting orders, on the one hand, and of special taxation of company profits, on the other, have been exhausted. Failing the adoption of any fresh expedient, not so far in view, it is probable that longer term movements in market values will conform to a new set of values. Instead of the rise in equities being brought about by a fall in the rate of interest, induced by engineering special demands for certain types of fixed interest stock, equities will rely more and more on post-war values for their attraction. This means that the classic picture of a rise in equities going hand in hand with falling fixed interest stocks is a distinct possibility. There is, however, little sign as yet of any movement to transfer substantial sums from the latter to the former. That is scarcely likely to come until it is possible to place a term to the duration of wartime controls.

Stock Exchange Agents

The Committee of the Stock Exchange, London, has this week confirmed an alteration of the statement by which members are required to support applications of agents for admission to the general register, which has, potentially at least, important implications. In the past, a member who has put up an employee as an agent for obtaining business has been responsible for his acts, but no such responsibility has attached to the broker in the case of other agents. Now, he is required to state that, after full enquiry, he is satisfied that the applicant is a fit and proper person to be placed on the register, and that there is no information, beyond that given, which ought to be placed before the Committee to enable it to reach a decision. This appears to mean that, should an agent not conform to whatever rules of conduct obtain at the time, the member who supported his application will be liable to disciplinary action. This is another step towards securing uniformity of conduct throughout the profession, and, if the new powers are wisely used, should result in a substantial further measure of protection, both to the investor and to the more serious type of broker. Everything depends, of course, on the administration of the rule, but the time appears to be far distant when there need be any anxiety about the profession developing the undesirable attributes of the closed shop. The change becomes fully operative at once, since all registrations have to be renewed yearly, on January 1st.

Guinness Taxation

Although the accounts of Arthur Guinness disclosed a moderate fall in profit after tax from £1,391,104 to £1,230,571, Lord Iveagh was able to reveal, at the annual meeting, that trading profit was greater on the year, and that the fall in the net figure was largely due to a time lag in obtaining credit for taxation payable in Eire. It results from this that there will, in the current year, be a corresponding relief, which should be a matter of considerable importance to shareholders. Lord Iveagh's speech makes no distinction between the business in this country and that in Eire, but the company has experienced an increased demand and secured higher sales. The rise in trading profit was secured despite the exhaustion of stocks of materials purchased when prices were far below the present level, which is, in general, approximately double the pre-war figure. Unfortunately, no clue is given as to when the old stocks were used up, but attention was drawn to the position a year ago. The exhaustion of cheap stocks of materials must by now be a general experience among brewery companies, and it does not, so far, appear to have had any serious effect upon earnings. Unlike tobacco, where the very sharp increase in tax in the last budget has considerably reduced demand, the consumption of beer is still on the up grade, and is likely to be limited only by raw material supplies. This is especially true at the present time, when the arrival of troops from overseas exceeds fresh drafts to the various fronts, a state of affairs which is likely to continue until the time arrives for the final effort.

Coal Mining Yields

Owing to a printer's error, the final line of the first table in the article "Coal Mining Companies," on page 307 of *The Economist* of last week, was given as shillings and pence instead of rates per cent. The correct reading, which appeared in some copies, is Butterley 7.0, Carlton Main 10.5, Doncaster Amalgamated 7.3, Manchester 5.6, and Yorkshire Amalgamated 6.3 per cent.

Company Notes

Morris Motors Expansion

The maintenance of the tax-free dividend on Morris Motors ordinary capital at 17½ per cent, dealt with in *The Economist* of September 5th, does rather less than justice to the results as disclosed by the full accounts. These show a rise in gross profit from £1,951,164 to £2,224,087. A substantial part of this increase is absorbed by higher maintenance charges, and almost all the remainder by a sharp rise in ARP expenditure, and the doubling of special provision for rehabilitation of factories for post-war production, which took £100,000. Tax provision is, however, lower, and the dividend is covered with half a point to spare, whereas a year before it was underearned by 4.3 per cent. Details of earnings for the past three years are set out below:—

	Years ended December 31,		
	1939	1940	1941
Gross profits	2,385,122	1,951,164	2,224,087
Maintenance	313,696	329,934	455,814
Depreciation	238,980	224,818	228,504
Total surplus*	1,991,947	1,520,913	1,634,520
Taxation	628,721	774,282	608,380
Special appropriations	405,611	172,537	314,312
Preference divs.	225,000	225,000	225,000
Ordinary shares:—			
Earned	732,615	349,094	486,828
Paid	662,500	463,750	463,750
Earned %	44.2	113.2	118.0
Paid %	40	117½	117½
Dividend equalisation reserve	75,000	Dr. 100,000	25,000
Carry forward	\$248,450	233,794	231,872

* Including other income after charging staff fund allocations.
† Tax free. § After special credit £933.

Lord Nuffield states in the report that the better result is due to increased turnover at a slightly lower margin per unit. There is evidence of this in the consolidated statement of the company, and its principal subsidiaries, which shows a rise from £9,985,868 to £11,338,560 in total current assets, and from £7,380,783 to £7,786,665 in net liquid assets. The rise at the date of the accounts was due to a jump of over £3,000,000 in debtors to £4,794,775, cash and stock in trade being sharply and investments slightly lower on the year. The expansion in net liquid assets has been financed mainly by heavy depreciation, but reserves of the group show a rise of £150,000. The balance-sheet of the parent company also contains a marked increase in debtors, financed, in the main, by loans from subsidiaries. There is no special statement by the chairman, and none will be made at the meeting. There is good reason to suppose that the demand for the products of the group will continue keen during the war, and the post-war prospect must depend upon ability to adjust production to whatever the demands of that period may be. The 5s. units of ordinary stock, at 33s. 6d. cum dividend, yield some £5 5s. 8d. per cent subject to tax at the full standard rate.

Thames Haven Oil Wharves

The ban on the publication of results by London and Thames Haven Oil Wharves having been lifted, the company presents reports for the two years 1940 and 1941. It may be recalled that, early in the second half of 1940, a reconstruction scheme was put into operation. Whether for that reason, or for others, wharf profits rose from £133,909 to £165,618, but only to relapse in 1941 to £100,207, largely owing to events beyond the control of the management. The reorganisation substantially reduced the bank overdraft, and got rid of the liability on CIM Holdings preference, but it also brought into being a large preference capital, and left the liquid position still far from satisfactory. The need to provide for bank interest, as well as heavy taxation and war-damage contributions, cuts deeply into earnings, with the result that the net amount for 1940 was only sufficient to cover some nineteen months' preference dividend, the actual amount paid being for nine months. In 1941, the net figure was a mere £6,929, or not much more than two-thirds of the sum required to meet the three months' dividend paid. Thus, on the two years, dividends on the cumulative preference capital were provided for one year only and the carry forward was increased from £71,362 to £108,883. Actually, the distribution of a half-year's dividend, bringing the payment up to September 31, 1941, is recommended out of the profits of the first eight months of the current year, which show some improvement over the figure for the corresponding period of 1941. The balance-sheet is of no very great value, since no adjustment is made for damage to properties by enemy action, while the principal associate, *Compagnie Industrielle Maritime*, valued at £806,284, is in enemy hands. At the end of last year there were creditors of £112,197 and a reduced, bank overdraft of £517,832, against liquid assets of £99,689. It is not yet clear that the company will be able to earn the dividends on the preference capital, which went to shareholders of the old CIM Holdings company, and it is certain that no reward to the unfortunate investors in the old London and Thames Haven company, who hold the ordinary shares, is in sight.

Two Heavy Industrial Results

The results of two of the smaller heavy industrial concerns for the year to June 30 last are indicative of the somewhat uneven experience last year of the industry as a whole. *Vaughan Brothers (Drop Forgings)* show a decline in disclosed income, after depreciation, from £145,851 to £85,434, which, although accompanied by a reduction in tax liability from £125,327 to £68,335, is responsible for a fall in equity earnings from £19,973 to £16,549. The ordinary payment is correspondingly lower at 20 against 22½ per cent, covered by a rate of 20.4 against 23.2 per cent, and there is a small addition to the carry forward, which is raised from £13,358 to £13,730. The accounts of *Brightside Foundry and Engineering* for the same period show, on the other hand, an increase in profits after tax, except tax on dividends, and, in the latest year, after staff pensions, from £78,415 to £96,493. The ordinary capital again receives 25 per cent covered by a rate of 81.4 against 59.0 per

cent; the transfer of £25,000 to war contingencies is repeated, and the carry forward raised from £47,937 to £72,445. The divergence is no doubt partly to be explained by circumstances peculiar to *Vaughan Brothers*. The chairman Mr Frank H. Vaughan, points out that earnings in the previous year were abnormally high and that the disclosed figure was struck after providing for ARP, war damage insurance and war risks contribution. The balance-sheet of *Vaughan Brothers*, despite a sound liquid position, does, however, suggest that turnover was lower last year, since there are declines in both debtors and creditors. Stocks and work in progress, on the other hand, show a modest rise from £51,398 to £59,888. The position appears to be exactly the reverse of that experienced by *Brightside Foundry*, whose turnover, according to the chairman, Mr Ambrose Firth, increased by 10 per cent, but whose total of stocks and work in progress declined by 6½ per cent, from £3,198,575 to £2,995,954. It is very probable that the apparent contradiction is explained by the varying tempo of orders and payments, a factor which makes more apparent difference to the balance-sheets of the smaller concerns in the industry than to its leaders.

British Sugar Stocks

The principal feature of the accounts of the British Sugar Corporation for the year ended March 31st is a further growth in stocks from £8,705,515 to £13,417,450. The counterpart of this is a rise in Ministry of Food advances by £5,100,000 to £12,250,000. Other creditor items are lower on the year, while debtors, investments and cash all show moderate rises, with the result that there is a slight increase in net liquid assets to over £2,000,000. The figures of profit are very largely meaningless, since the Treasury has agreed to allow the Corporation a reasonable rate of profit, and adjusts its payments accordingly. The position as revealed by the accounts of the past three years is set out below:

	Years ended March 31st.		
	1940	1941	1942
Profit	1,182,143	777,164	863,879
General expenses	104,130	101,105	93,916
Taxation reserve	†505,000	151,000	136,000
Net interest	5,331	87,175	285,015
Debt redemption	22,989	23,648	24,305
Depreciation	220,000	210,000	201,000
War damage	...	80,000	59,265
Available for dividend	324,693	124,236	64,378
Paid on Ordinary 4½%	129,375	112,500	112,500
Carry forward	‡42,514	54,250	*36,128

† Includes £75,000 Special Duty Reserve.
‡ After £59,000 Pensions provision for past services and £155,000 Dividend Equalisation Account.
* After crediting £30,000 from Contingencies Reserve.

The rise in net interest paid is more than double the increase in the published profit figure, and although all other charges are lower, the net amount available for dividend is considerably reduced. Actually, net earnings, before providing for war damage contribution of £59,265, exceeded the amount required to maintain the ordinary dividend at 4½ per cent by only £11,143. There is no statement in this year's report as to the earnings which the Treasury consider reasonable—last year it was 3½ per cent. The Corporation received a guarantee that it should retain its due proportion of the economies resulting from the profit-sharing scheme. These have risen on the year from 1 to 1½ per cent on the ordinary capital, but as the amount actually available for that security is reduced, the value of this guarantee seems doubtful. The price of the £1 shares is near the best of recent years at 19s. 3d. ex dividend, at which the return is some £4 13s. 6d. per cent.



Industry and Trade

Coal Production

The gravity of the coal position was emphasised at the annual conference of the Trades Union Congress. Mr H. Horner, speaking for the Mineworkers' Federation, pointed out that none of the measures now in hand are likely to remove the danger of a critical situation in the coming winter; while the miners had been urged "to exercise their minds and bodies to produce more coal, the greatest care must be exercised in its use." In a statement issued last week on behalf of the Mining Association, it was asserted that there is room for the production of an additional 10-13 million tons a year, equivalent to 5-6 per cent of the 1941 output, "without any undue effort on the part of the workers." A recovery of the one in 57.8 cwt. per manshift at the coal face, lost since 1941, would yield an additional 3,500,000 tons a year; the return of the 11,300 miners to be released from the Forces should provide 3,400,000 tons a year; and a reduction of "voluntary absenteeism" at the coal face by 2½ per cent would add a further 5,750,000 tons in a year. An immediate increase in production of the order of 5-6 per cent, if it were feasible, would ease the supply position very considerably during the next winter; but it might be rash to take it for granted—"evidence to date (said the Minister of Fuel and Power in the Commons on Tuesday) is not at all reassuring." While it will obviously be impossible to satisfy all the demands for coal, it may still be possible to prevent hold-ups in production or transport through lack of coal. The total supply of coal available for home consumption is bigger than before the war, and the prospective shortage, at the current rate of production, is likely to be a shortage in relation to money demand rather than a shortage in relation to vital needs. In short, the fuel problem is one of distribution and economy in use as much as one of production.

Transport Problems

The Government's policy of concentrating as much traffic as possible on the railways, the canals and coastal shipping has been so successful this summer that a substantial unused margin of road transport capacity has emerged, with a consequent saving in petrol and rubber. Not unnaturally, this has given rise to criticism from the road haulage industry whose earnings vary with the volume of their activity. In view of the fact that the unused margin of road transport capacity is due partly to the lull in air raids—which may not continue indefinitely—and that circumstances can be envisaged which may give rise to a sudden spurt in the demand for road transport, it is vital that the "reserve" should not be dissipated. The technical and financial problems involved in its maintenance must be the concern and responsibility of the Government.

Rubber Salvage

Rubber has been added to the evergrowing list of materials which it is an offence to destroy, abandon or mix with other materials and the salvaging of which is urged. The need for the utmost stringency in the use of rubber has been apparent for some months. It is not enough to forbid the destruction of rubber. What is needed is an imaginative campaign to persuade the public to give up all articles made of rubber which are not essential. Rubber mats, for example, are to be found in use in every shop, as well as in many homes, and these and similar articles could be dispensed with, without hardship. A campaign on the lines of Lord Beaverbrook's aluminium collection in 1940 would provide a stimulus for the giving up of rubber which is still in use. Adequate receiving depots should be set up and collections must be made efficient. The requisitioning of stocks in shops and warehouses of non-essential rubber goods should be considered. It is not untrue to say that rubber is one of the United Nations' scarcest materials. No effort should be spared to find substitutes for it where possible and to augment the amount of waste available for reclamation.

Cotton as a Munition

Cotton has been ranked as a munition of war since production was required to be increased, and the industry found itself in difficulties. An exhibition is being held in Manchester to illustrate precisely in what ways cotton is an essential war material. Its activities are not confined to producing ordinary clothing for the Forces. The numerous articles which the Army classifies as "webbing equipment," such as respirator cases, cartridge carriers, ammunition pouches, rifle slings, water bottles, binocular cases and revolver holsters, are all made from cotton. In some forms cotton goes into ammunition. Tank drivers wear fire-proofed cotton overalls; cotton is used in the making of their crash helmets, and they sit on cotton-covered seats. Closely woven cotton gabardine makes windproof flying suits, and airmen wear flame-resisting cotton poplin waistcoats. Petrol tanks for aeroplanes are being made with self-sealing covers, made of rubber interposed with cotton fabric. Another new use for cotton is in alliance with plastics. Stout cotton fabric is impregnated with resin, and moulded under pressure to form rigid parts for all kinds of machinery and aeroplanes. These parts are being used to replace metal. A ½-inch board composed of fifty layers of treated cotton fabric is shown in the exhibition. The Russian climate demands the use of cotton in the manufacture of grips for ski-troops and snow suits for Arctic wear. The exhibition puts cotton in its place in the war effort, and the President of the Board of Trade said last week that the wartime organisation of the cotton industry had been settled, and was unlikely to be varied.

Six Months of Retail Trade

The retail trade report for July and the Bank of England's index numbers of the average value of daily sales appear in the *Board of Trade Journal* of September 5th. The trend of sales between June and July of the first two war years is repeated, with a fall in the index (1937=100) from 108 to 104. Before the war, the tendency was for sales to rise between these months. The index of the value of sales of apparel, at 89, was the lowest this year. Trading results for the first half of the current retail year can now be compared with the same period in 1941. Total sales this year by value, were 2.6 per cent above 1941. Only in the south of England did sales drop, and there the fall was small. In London, trade improved, probably owing to freedom from air raids. Rises in the various categories of trade were outstanding in Central and West End London. Food and perishable sales rose by 3.7 per cent over the whole country; the rise in London was 12.7 per cent. Turnover in other merchandise advanced only 1.2 per cent and decreases were recorded in the Midlands and South Wales and in the South of England. The London rise was 17.9 per cent. The total rise for the furnishing departments was as much as 23 per cent; sports and travel goods sales declined by 12.3 per cent and in most of the other categories the range was within 7 per cent, either above or below last year's sales. It is likely that the fixing of profit margins for non-utility apparel and piece goods will exert a downward influence on the indices for August.

Coal for Gas

In a Note on page 313 of *The Economist* on September 5th, figures were given showing the consumption of coal in the generation of electricity by authorised undertakings, as well as the distribution of consumption by categories of consumer. It is, perhaps, not generally realised that the quantity of coal used in the manufacture of gas by authorised undertakings was still appreciably bigger before the war (publication of statistics has since been suspended) than that converted into electricity. Thus, no less than 18½ million tons of coal were used by the gas industry in 1938, compared with about 14 million tons used in the generation of electricity. True, these figures do not provide a satisfactory basis of comparison because of the large quantity of residual products yielded in the process of carbonising coal by the gas industry. In 1938, for example,

COMPANY MEETING

ANGLO-CEYLON AND GENERAL ESTATES COMPANY, LIMITED

SATISFACTORY RESULTS

SIR EDWARD ROSLING'S STATEMENT

The 56th annual ordinary general meeting of the Anglo-Ceylon and General Estates Company, Limited, was held on the 7th inst. in London, Sir Edward Rosling (chairman and managing director) presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts:—

Since we last met Ceylon has experienced air attacks, but the enemy was driven off with such loss by the sturdy defence they encountered that possibly they may not care to pay another visit.

The results of the year's working may be considered very satisfactory. The net profit, after deducting debenture interest, management expenses, and all charges, amounts to £249,856, as compared with £143,150 in the previous season, but owing to the incidence of Excess Profits Tax and

a measure of double taxation we have to set aside not less than £200,000, leaving £49,856 available for dividend, as compared with £45,908 a year ago.

DIVIDEND OF 7 PER CENT

The directors now recommend a final dividend of 4½ per cent., free of tax, which, with the interim already paid, makes 7 per cent., free of tax, for the year, carrying forward to the current season a balance of £53,764.

It will be evident to all that present legislation as regards Excess Profits Tax imperils the cash position of most trading concerns, and whilst for the time being we are able to meet the strain on our own liquid resources, there will come a day in common with other concerns when it will be difficult to meet these heavy demands if maintenance and improvements of assets are properly carried out.

This service invariably costs more than is allowed as a deduction from profits for taxation purposes, but if neglected it has a cumulative adverse effect on production in the future.

The reports from the Ceylon estates generally are satisfactory; our tea crop shows an increase of nearly 250,000 lbs., and the price realised was some 2½d. above the preceding year. The increase in the price is the result of the strong demand

from outside markets. Cacao, although not equal to last year's bumper crop, had a quite satisfactory yield of 9,244 cwt., and realised 42s. 5d., as compared with 28s. 7d. The rubber crop amounted to 334,668 lbs., an increase of 108,000 lbs.

THE SUGAR CROP

In Mauritius, also, our estates have worked smoothly, and the sugar crop, although less than that of a year ago by some 5 per cent., was still satisfactory, amounting to 39,400 tons. The Government purchased the whole of the crop.

It is difficult to speak of the prospects for the current season; we are endeavouring to produce maximum crops of both tea and rubber, although in the latter case we are undoubtedly shortening the economic life of our rubber trees, whilst any present benefit that might result is absorbed by Excess Profits Tax.

The war has, of course, made things more difficult both in Ceylon and Mauritius. We fully appreciate the difficulties under which work is carried on, and our thanks are due to our managers and their respective staffs in Ceylon and Mauritius for their wholehearted co-operation during the past year, and also our agents in Ceylon and our staff in London.

The report and accounts were unanimously adopted.

(Continued from page 342)

when 18½ million tons of coal were carbonised, the industry produced, apart from 340,000 million cu. ft. of gas, nearly 12½ million tons of coke and breeze, 237 million gallons of tar, as well as large quantities of sulphate of ammonia and certain other products. But while only about two-fifths of the electricity sold to consumers before the war was used for lighting, heating and cooking, the bulk of the supply of gas is used for domestic purposes.

Industrial Diseases

The *Ministry of Labour Gazette* publishes figures of industrial diseases as well as of fatal industrial accidents. (Statistics of the latter were given in last week's issue of *The Economist*, on page 313.) Cases of certain industrial diseases and deaths resulting from them have to be reported under the Factories Act, 1937, and under the Lead Paint (Protection against Poisoning) Act, 1926. The table below shows the number of cases reported between January and July in 1939, 1941 and 1942. Deaths include all fatal cases reported during the period whether or not they have been included in the classified figures. The most striking fact emerges that in almost all categories the cases show a sharp decline in the succeeding years. The totals are higher than before the war, but this is attributable (apart from the increase between 1941 and 1942 in lead poisoning) to the outstanding increases in cases classified as "other poison-

	INDUSTRIAL DISEASES		
	January-July		
	1939	1941	1942
Lead poisoning	69	33	46
Other poisoning	11	197	154
Anthrax	24	16	13
Epitheliomatous ulceration (skin cancer)	100	80	75
Chronic ulceration	90	74	52
Compressed air illness	11	...	...
Total	305	400	340
Deaths (from all causes)	25	21	18

ing." In 1941, of the total of 197 "other poisoning" cases, 169 were of aniline poisoning. In 1942, 127 cases of aniline poisoning were reported out of a total of 154 "other poisoning." Aniline is obtained mainly from coal-tar, and as well as its use in the manufacture of dyestuffs, has innumerable war uses. While the absolute decrease in the number of cases reported in the other categories of industrial diseases is gratifying, it must be remembered that the statistics are no guide to the relative number of cases. Figures are lacking to enable the cases to be expressed as a percentage of the number of workpeople liable to contract the diseases. Occupational redistribution must be taken into account in expressing views on the improvement or otherwise in the incidence of industrial diseases. Unfortunately, no precise data on this movement is available.

Platinum as War Material

Since the position of silver in industry was discussed in *The Economist* on August 22nd (page 247) new measures have been taken in the United States to increase supplies of silver for munition purposes. They include a War Production Board Order (No. M. 199) which prohibits the use of silver after October 1st for any purpose below A-3 priority rating. Silver, however, is not the only precious metal which has an important place as war material. On June 2nd last, the United States War Production Board issued a general Conservation Order (No. M.162) which declared platinum to be "a strategic material of war" and imposed a strict control over stocks, sales and purchases in order to prevent any supplies of it from falling into the hands of the enemy. Platinum not only has an exceedingly high melting point, which makes it suitable for use in such things as the equipment of metal furnaces, but its resistance to acids is stronger than that of any other metal. It is, moreover, extremely ductile and malleable and has the lowest coefficient of expansion of any metal. These properties make platinum indispensable for a substantial number of purposes, including its use as catalyst in the production of nitric acid for explosives and as raw material for alloys, scientific war instruments, fire-control apparatus, fuses, chemical processes and so forth. Fortunately the United Nations platinum supply position is strong, and there is at present no question of shortage. The most important platinum producing area to-day is Canada, which supplies just over one-half the total world output of between 600,000 to 700,000 troy ounces per annum, as a by-product from the copper-nickel mining operations in the Sudbury (Ontario) area. Russia, the next largest source, produces about one-fifth of the world total in the Urals. The United States, chiefly Alaska, Transvaal and Colombia (which supplies its whole output to the United Nations) are to-day the only other producers of importance, although in normal times Belgian Congo and Abyssinia used to ship sizeable quantities of platinum. The Axis countries, on the other hand, do not produce platinum, but Germany had accumulated considerable quantities, mainly of Russian origin, before June, 1941. Since considerable quantities can be recovered from jewellery—the "expropriation" of private property has been developed to a fine art in Axis countries—it would be too optimistic to expect early and major dislocation in the Axis war output from a platinum shortage.

With next week's issue of *The Economist* (September 19th), the Annual Banking Supplement will be published. Its contents will include, in addition to the usual statistical matter, articles on wartime banking in Britain, the United States and the Soviet Union.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE tenacity of Russian resistance, the successful conclusion of the first phase of the battle of Egypt and Mr Churchill's encouraging statement have also served to maintain sentiment in the markets during the past week. Turnover, as reflected in the total of bargains marked, showed some improvement on the previous week, while the upward movement of equity shares continues as yet unchecked, despite profit-taking. The week has also seen a revival of interest in railway stocks, while shipping and oil shares have enjoyed renewed support. Business in the *gilt edged* market was light, irredeemable stocks easing slightly after their recent improvement, although good support was apparent for short-dated securities. In general, however, actual turnover was insufficient to affect prices markedly. In the foreign bond market, Brazilian stocks, after their recent decline, reflected renewed buying in small but persistent advances, the 4 per cent loan of 1889 being prominent with a rise of 2½ points on the week, while other issues improved to lesser extent. Elsewhere in the *foreign bond* market Chilean bonds were firm, and among European stocks French Railway Sterling bonds were in demand. The number of daily bargains marked in the *home rail* market was more than double the preceding week's total, and steady buying occasioned good gains for junior stocks. GW and LMS ordinary stocks rose ½, and Southern preferred a point, while among Berwick issues the 4 per cent 2nd preference stock was in demand, although both the preferred and deferred reacted after their advance at the close of last week. Later, some profit taking reduced earlier gains of junior issues. In the *foreign rail* market, turnover was insufficient to affect prices to any extent, but a fall of ¼ for Canadian Pacific at the week-end was only partially recovered in the early part of this week.

Average daily markings of almost 1,200 bargains reflected the continued demand for equities in the *industrial* market, while the ordinary share index of *The Financial News* continues to advance steadily. Among many small improvements for brewery stocks Guinness was outstanding with an advance of 1s. 9d. on the week, but Bass fell 2s. over the same period. There was little change in tobacco shares, although Gallaher improved slightly on moderate

support. Small gains were scattered throughout the heavy industrial section, where Whitehead Iron and Ruston and Hornsby were prominent, while Indian Iron advanced steadily. The shipping group was rather more active than of late, and in the general advance P & O deferred and Union Castle were outstanding with rises of 1s. Both the Cunard preference stocks, however, were slightly easier. In a firm motor section, J. Lucas, Thos. Tilling and AEC all advanced, while Rolls-Royce more than recovered Tuesday's loss of 1s. the following day. Textile shares failed to attract any particular attention, and the small irregular movements were without significance. Stores shares, however, were firm, Harrods, Boots and Woolworths all enjoying useful support. A sharp fall in Canadian dollar securities on tax fears before the week-end was largely recovered at the opening of the current week, International Nickel in particular advancing strongly. Elsewhere, Ramsome and Marles rose 5s. on the increased dividend, while United Molasses was bought. Among hotel shares, Savoy Hotel was in demand.

With the revival of Cape support, the idle conditions at the close of last week in the *kafir* market were followed by a fairly widespread improvement. Geduld and Rand Mines both recovered earlier losses, while among issues to advance Blyvoors, West Wit Areas and Grootvlei were outstanding. A rise of 4s. on the week for Doom Dooma on the increased dividend was the feature of the *tea* market, while a few improvements were registered in the *rubber* market. The war news and the Premier's speech stimulated sentiment in the *oil* market. Anglo-Iranian was especially firm, while good gains for Anglo-Egyptian and Burmah were witnessed. Other issues to advance were Royal Dutch and Trinidad Leaseholds, and profit taking in midweek failed to prevent a further general improvement.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Corres. Day 1941	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Sept. 3.....	3,155	3,239	83.9 133.3
" 4.....	3,498	3,103	84.0 133.3
" 7.....	4,544	3,043	84.2 133.3
" 8.....	4,100	3,960	84.3 133.3
" 9.....	4,437	3,229	84.5 133.4

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 84.5 (Sept. 9); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5). † New basis in S.E. List. ‡ Old basis.

COMMODITY AND INDUSTRY NEWS

New Clothing "Quiz."—A new edition of the *Clothing Quiz**, prepared by the Board of Trade, was published on September 5th. Like the earlier editions, it contains tables of the coupon rating of all garments, and a list of coupon-free articles. Full information is given on all aspects of clothing rationing affecting the consumer. The booklet is a guide to the working of the Consumer Rationing Order, 1941, and subsequent amending Orders, and is up to date to August 1, 1942.

Lactic Casein.—The Control of Casein (No. 1) Order, issued by the Ministry of Supply, came into operation on September 7th. Under the Order, the disposal of lactic casein is made subject to licence procedure. It may be purchased only

* "Your Questions Answered." The 1942-1943 Clothing Quiz. H.M.S.O., 28 pages. 2d. net.

from licensed sellers. The Order does not apply to rennet casein.

Export of Garments.—The Export of Goods (Control) (No. 36) Order (S. R. and O. No. 1749) comes into force on September 21st. It makes "garments whether finished or unfinished" subject to export licensing control, whatever their destination. The term "garments" does not include footwear, ties, hats, belts, braces, gloves, suspenders, scarves or laces for footwear or for corsets. Licences will not normally be granted for the export to any destination of garments made from utility cloth, except corsets, the export of which will be restricted to utility and surgical types only. Licences will not normally be granted for hosiery other than certain high-class goods.

Chilean Copper Price.—Negotiations between United States and Chilean Government officials have resulted in an agreement under which prices paid by the

New York

CONDITIONS on Wall Street during the past week have been quiet. Lack of any incentive, either from military or internal developments, resulted in slow trading, prices sagging slightly before the holiday on declining support. The speeches by President Roosevelt and Mr. Churchill occasioned a rather better tone at the opening of the current week, prices and turnover both showing improvement.

STANDARD STATISTICS INDICES (1935-36=100)

	WEEKLY AVERAGES				
	1942	Aug. 19, 1942	Aug. 26, 1942	Sept. 2, 1942	Sept. 9, 1942
	Low April 29	High Jan. 14			
347 Industrials.....	62.4	75.0	71.5	70.5	71.1
32 Rails.....	58.4	71.0	67.5	65.8	65.9
40 Utilities.....	53.1	67.4	59.2	59.0	59.4
419 Stocks.....	60.8	73.3	69.3	68.4	68.9
Av. yield %*.....	8.40	6.58	6.59	6.65	6.58

* 50 Common Stocks.

(a) Jan. 7. (b) Feb. 4. (c) Sept. 2. (d) June 24.

DAILY AVERAGE OF 50 COMMON STOCKS

Aug. 27	Aug. 28	Aug. 29	Aug. 31	Sept. 1	Sept. 2
87.1	87.5	87.6	87.6	87.6	87.7

1942 High: 91.2, Jan. 5. Low: 75.2, Apr. 28.

Total share dealings: Sept. 3, 283,000; Sept. 4, 309,000; Sept. 5, 145,000; Sept. 7, Labour Day; Sept. 8, 399,000; Sept. 9, 362,000.

* Two-hour session only.

Capital Issues

Week ending September 12, 1942	Nominal Capital	Conversions	New Money
Particulars of Government issues appear on page 345.			
Year†	Including Conversions	Excluding Conversions	
1942.....	1,072,247,781	1,057,527,033	
1941.....	1,130,022,501	1,077,887,919	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K. Countries	Foreign
1942.....	1,057,122,571	349,272	55,190
1941.....	1,074,537,073	3,280,846	70,000

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1942.....	1,050,778,521	731,318	6,017,194
1941.....	1,073,553,974	477,400	3,851,495

† Includes Government issues to August 29, 1942, only.

Above figures include all new capital in which permission to deal has been granted.

United States Government for its copper purchases from Chile will be raised by 10 per cent to 12.375 cents per lb., free U.S. port for the six months ending February 28, 1943. Under an agreement concluded last February the U.S. Government agreed to acquire the whole Chilean copper output over a lengthy period. The price was to be reviewed every six months. The price has been increased in order to stimulate production in Chile. Recently Chile's output was running at an annual rate of over 500,000 metric tons.

International Sugar Agreement.—The extension of the International Sugar Agreement for another two years, from August 31, 1942, has been agreed by South Africa, Australia, Belgium, Brazil, Cuba, Czechoslovakia, Dominican Republic, Haiti, Netherlands, Peru, Portugal, United Kingdom, U.S.S.R., United States (and Com-

(Continued on page 348.)

GOVERNMENT RETURNS

For the week ended Sept. 5, 1942, total ordinary revenue was £41,016,000, against ordinary expenditure of £109,553,000, and issues to sinking funds of £2,410,094. Thus, including sinking fund allocations of £5,633,059, the deficit accrued since April 1st is £1,251,982,000 against £1,300,896,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	Receipts into the Exchequer (£ thousands)			
		April 1 to Sept. 6, 1941	April 1 to Sept. 5, 1942	Week ended Sept. 5, 1941	Week ended Sept. 5, 1942
ORDINARY REVENUE					
Income Tax.....	913,000	157,951	242,598	8,492	8,572
Sur-tax.....	78,000	10,989	10,830	140	220
Estate, etc.....					
Duties.....	90,000	40,482	41,546	979	1,578
Stamps.....	15,000	5,201	5,560		
N.D.C.....					
E.P.T.....	425,000	7,695	10,710	235	450
Other Ind. Rev.....	1,000	82,531	125,903	4,070	9,405
Total Ind. Rev.....		152,200	304,984	437,397	13,916
Customs.....	438,295	150,357	197,210	7,797	12,361
Excise.....	366,705	138,605	178,700	1,795	1,805
Total Customs & Excise.....		805,000	288,962	375,910	14,166
Motor Duties.....	34,000	9,073	4,433	153	
Canadian Govt. Contribution.....	225,000		145,827		4,495
P.O. (Net Receipts).....	10,000	7,050	9,350	450	600
Wireless Licences.....	4,300		1,160		
Crown Lands.....	800	530	440		
Receipts from Sundry Loans.....	5,000	1,898	960		
Miscell. Receipts.....	21,000	25,960	45,352	1,011	1,531
Total Ord. Rev.....	2,627,100	638,457	1,020,829	25,122	41,016
SELF-BALANCING P.O. & Brdcastg.....	102,523	39,750	42,000	1,150	1,400
Total.....	2,729,623	678,207	1,062,829	26,272	42,416

Expenditure	Estimate, 1942-43	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Sept. 6, 1941	April 1 to Sept. 5, 1942	Week ended Sept. 5, 1941	Week ended Sept. 5, 1942
ORDINARY EXPENDITURE					
Int. & Mtn. of Nat. Debt.....	325,000	127,853	154,443	8,841	11,585
Payments to N. Ireland.....	9,500	3,253	3,354	326	336
Other Cons. Fund Services.....	7,800	3,189	3,448		1
Total.....	342,300	134,295	161,245	9,167	11,722
Supply Services.....	494,417	179,932	210,933	90,726	97,831
Total Ord. Exp.....	526,847	193,427	226,717	99,893	109,553
SELF-BALANCING P.O. & Brdcastg.....	102,523	39,750	42,000	1,150	1,400
Total.....	538,900	197,397	230,917	101,043	110,953

After increasing Exchequer balances by £43,776 to £2,673,711, the other operations for the week (no longer shown separately) raised the gross National Debt by £70,807,832 to £15,320 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Sept. 5th and Sept. 11th. (Figures in brackets are par of exchange.)

United States. \$ (4-88) 4-021-031; mail transfers 4-021-031.	Canada. \$ (4-88) 4-43-47; mail transfers 4-43-47.	Switzerland. Francs (25-22) 17-30-40.	Sweden. Krona (18-159) 16-85-95.	Argentina. Peso (11-46) 16-951-17-13; mail transfers 16-951-17-15.	Dutch West Indies. Florin (12-11) 7-59-62; mail transfers 7-58-64.	Portugal. Escudos (110) 99-80-100-20.	Panama. 34-02-04; mail transfers 4-02-04.
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Fixed Rates for Payment at Bank of England for Clearing Office.—Spain. Peseta (25-22) 40-50 (Official rate). Italy. 71-25 lire.

Finance

NET ISSUES (£ thousands)	120
P.O. and Telegraph.....	5
Overseas Trade Guarantee.....	125
NET RECEIPTS (£ thousands)	150
War Damage Act.....	158
Tithe Act.....	308

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Debits	Total Floating Debt
1941				
Sept. 6	970.0	Not available		880,241,718
June 6	975.0	"		
" 13	975.0	"		
" 20	975.0	"		
" 30	975.0	160.4	36.3	591.5
July 4	975.0	Not available		
" 11	975.0	"		
" 18	975.0	"		
" 25	975.0	1654.3	166.8	654.5
Aug. 1	975.0	Not available		
" 8	975.0	"		
" 15	975.0	"		
" 22	975.0	"		
" 29	975.0	1668.3	254.4	695.5
Sept. 5	975.0	Not available		3593.2

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Applied for	Allocated	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1941					
Sept. 5	75.0	148.6	75.0	20 3.46	41
1942					
June 12	75.0	131.6	75.0	20 0.67	44
" 19	75.0	124.3	75.0	20 0.90	49
" 26	75.0	141.4	75.0	20 0.58	41
July 3	75.0	143.9	75.0	20 0.54	40
" 10	75.0	157.7	75.0	20 0.32	33
" 17	75.0	139.6	75.0	19 11.93	33
" 24	75.0	136.6	75.0	20 0.60	42
" 31	75.0	155.1	75.0	19 11.91	28
Aug. 7	75.0	151.4	75.0	20 0.71	38
" 14	75.0	135.6	75.0	20 0.69	44
" 21	75.0	151.4	75.0	20 0.71	39
" 28	75.0	163.6	75.0	20 2.85	31
Sept. 4	75.0	166.1	75.0	19 10.12	44

On Sept. 4th applications at 99 15s. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 44 per cent of the amount applied for, and applications at higher prices in full. 175 millions of Treasury bills are being offered on Sept. 11th. For the week ending Sept. 12th the banks will be asked for Treasury deposits to a maximum amount of £35 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
July 28.....	3,887	1,733	12,240	33,902
Aug. 4.....	3,447	1,445	4,070	4,777
" 11.....	3,979	1,863	6,055	4,159
" 18.....	4,151	1,902	5,417	6,594
" 25.....	4,186	1,670	6,034	6,325
Sept. 1.....	4,509	1,786	9,519	5,689
" 8.....			4,925	20,339
Totals to date.....	605,928	487,515	843,857	555,444

* 145 weeks. † 88 weeks. ‡ 48 weeks.
§ Including series "A." || Including all Series.
Interest free loans received by the Treasury up to Sept. 8th amounted to a total value of £50,151,641. Up to Aug. 29th, principal of Savings Certificates to the amount of £78,972,000 has been repaid.

Market Rates.—The following rates remained unchanged between Sept. 5th and Sept. 11th.

Egypt. Piastres (97½) 97½-1.	India. Rupee (18d. per rupee) 17½-18½.	Belgian Congo. Francs 176½-1.	China. National \$ 24-3½d.
------------------------------	--	-------------------------------	----------------------------

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

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 3 cent pm-par. Canada. 5 cent pm-par. Switzerland. 3 cent pm-par. Sweden. 5 ore pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Sept. 5th and Sept. 11th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

SEPTEMBER 9, 1942

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt.....	11,015,100
In Circul.	831,505,347	Other Govt. Securities.....	866,130,047
In Bankg. Department.....	48,736,371	Other Secs.....	1,592,779
		Silver Coin.....	1,262,074

Amt. of Fid. Issue.....	880,000,000
Gold Coin & Bullion (at 168s. per oz. fine).....	241,718
	880,241,718

BANKING DEPARTMENT

Props.' Capital.....	£ 14,553,000	Govt. Secs.....	£ 136,731,813
Rest.....	3,483,497	Other Secs.....	
Public Deps.*.	8,419,879	Discounts & Advances.....	5,088,338
		Securities.....	21,133,663
Other Deps.: <i>Bankers</i>	139,837,514		26,222,021
<i>Other Accts.</i>	46,555,731	Notes.....	48,736,371
	186,393,245	Gold & Silver Coin.....	1,159,416
			212,849,621
	212,849,621		

Allowance is made for net interest accrued and for redemption for fixed interest stocks and for changes in interdividend for ordinary stocks.

Allowance is made for net interest received and for redemption for fixed interest stocks and for changes in interdividend for ordinary stocks.

Prices, Year 1940	Last two	Price,	Price,	Yield,	35/4	12/4	Nil	Nil	Shipping	18/3	19/	Nil
									Cunard Steamship Ord. 1.	27/7	24/7	4 19

000's omitted

[illegible]

AUSTRALIA AND NEW ZEALAND

<i>Colombia</i>	Open market sight selling rate 175-50 pesos per 100 U.S. \$ on Aug. 19th
<i>Ecuador</i>	Official sight selling rate 14-10 sucres per U.S. \$ on July 25th.
<i>Guatemala</i>	Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.
<i>Nicaragua</i>	Official sight selling rate for payment of imports fixed Jan. 1, 1941, at 5-54½ cordobas per U.S. \$ (incl. 10 per cent tax).
<i>El Salvador</i>	Sight selling rate New York was 2-50 colones per \$ on Aug. 1st.
<i>Venezuela</i>	Sight selling rate New York 3-35 bolivares per U.S. \$ on Aug. 19, 1942
<i>Peru</i>	Sight selling rate 6-50 soles per U.S. \$ on Aug. 12.
	* Official exchange controls are operative in these countries.

	Changed	From	To		Changed	From	To
		%	%			%	%
Amsterdam	June 28,	'41	3	Madrid	July 15,	'35	5
Athens	Mar. 10,	'42	5	Montreal	Mar. 11,	'35	...
Belgrade	Feb. 1,	'35	6	Oslo	May 12,	'40	4
Berlin	April 9,	'40	4	Paris	Mar. 17,	'41	2
Brussels	Jan. 25,	'40	2	Pretoria	June 2,	'41	3
Bucharest	Sept. 17,	'40	4	Rio de Janeiro	May 31,	'35	...
Budapest	Oct. 27,	'40	4	Rome	May 18,	'36	5
Calcutta	Nov. 28,	'35	3	Sofia	Sept. 16,	'40	6
Chile	June 13,	'35	4	Stockholm	May 29,	'41	3
Copenhagen	Oct. 15,	'40	4	Zurich	Nov. 25,	'36	2
Helsingfors	Dec. 3,	'34	4	Tokio	...	...	...
Lisbon	Sept. 1,	'42	4	Wellington	Oct 27,	'40	3
N.Y. Fed. Res.	Aug. 26,	'37	1	Dublin	May 26,	'39	4

NEW YORK PRICES

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

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts		Close Sept.	Close Sept.	Close Sept.	Close Sept.
			1942	+ or -	1942	+ or -				
B.A. and Pacific.....	10	Sept. 5	\$1,449,000	+ 244,000	13,488,000	+ 352,000				
B.A. & Gt. Southern.....	10	" 5	\$2,085,000	+ 103,000	20,020,000	+ 64,000				
B.A. Western.....	10	" 5	\$1,912,000	+ 133,000	7,830,000	+ 351,000				
Canadian, Pacific.....	36	Aug. 31*	\$7,832,000	+ 934,000	165,013,000	+ 25,824,000				
Central Argentine.....	10	Sept. 5	\$2,061,000		19,648,200	+ 2,232,750				
San Paulo (Brazil).....	35	Aug. 30	\$36,998	- 964	1,267,010	- 37,761				

* 10 days' receipts.

† Domestic receipts.

1. Railroads.		2. Utilities, etc.		3. Commercial and Industrial.		4. Miscellaneous.	
Name	Close Sept.	Name	Close Sept.	Name	Close Sept.	Name	Close Sept.
Atlantic Coast.....	28	Amur. Tel.....	1191	Am. Smelting.....	371	Inst. Paper.....	81
Can. Pacific.....	41	Amor. W'kly.....	2	Am. Viscose.....	271	Liggett Myers.....	602
Gt. Nthn. Pl.....	22	Pac. Light.....	26	Anacosta.....	25	Nat. Distillers.....	24
N.Y. Cent.....	3	People's Gas.....	39	Beth. Steel.....	521	Nat. Steel.....	49
Pennsylvania.....	21	Sch. Cal. Ed.....	17	Briggs.....	181	Phelps Dodge.....	48
Southwest.....	14	W. Union Tel.....	28	Calumet of A.....	191	Proct. Gamble.....	55
				Chrysler.....	59	Sears Roebuck.....	58
				Distillers-Seag.....	182	Shell Union.....	131
				Eastman Kdk.....	126	Sds. Cal. N.....	13
				Gen. Elec.....	26	Soc. Gen. Fox.....	11
				Gen. Motors.....	38	United Drug.....	61
				Inland Steel.....	61	U.S. Steel.....	462
				Int. Harvest.....	46	West house El.....	69
				Int. Nickel.....	27	Woolworth.....	281

(Continued from page 344.)

monwealth of the Philippines). There were originally 21 signatories to the agreement and 15 have signed the continuing protocol. Yugoslavia is expected to sign. India and

the Polish Government in London have decided not to sign. The other original signatory countries were France, Hungary and Germany.

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE.

Daily Average Sales	1942			Stks. (at cost) end July
	May	June	July	

(a) By Commodities

	Sept. 1942	Sept. 1942	Sept. 1942	Sept. 1942	Sept. 1942
Crops	117.8	117.8	117.8	118.0	118.3
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete index	142.7	142.7	142.7	142.8	142.9
	Mar. 1937	Aug. 1939	Sept. 1941	Aug. 1942	Sept. 1942
Crops	147.9	92.2	112.8	117.8	118.0
Raw materials	207.3	122.9	170.0	172.7	172.7
Complete index	178.1	108.4	138.7	142.7	142.8

* Highest level reached during 1932-37 recovery.

(b) Districts				
Scotland	-2.1	+3.4	+3.1	+0.4
North-East	-0.3	+2.7	+2.9	+1.4
North-West	-5.8	+1.9	+1.3	+2.9
Midland and S. Wales	-3.4	+2.9	+3.0	+0.1
South England	-6.5	-2.0	-0.2	+2.7
Central and West-End	+6.4	+9.7	+11.4	+6.1
London	+2.2	+6.2	+10.7	+1.4
Suburban London				

Source: Board of Trade Journal.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 1937	Aug. 1939	Sept. 1941	Aug. 1942	Sept. 1942
Cereals and Meat	93.0	66.9	99.4	107.8	108.2
Other Foods	70.4	61.1	98.3	102.6	102.6
Textiles	74.2	54.3	94.3	90.6	92.3
Minerals	113.2	95.4	129.2	131.8	131.8
Miscellaneous	87.0	77.6	113.0	119.5	119.8
Complete index	87.2	70.3	106.7	110.2	110.8
1913=100	119.9	96.8	146.8	151.6	152.5

* Highest level reached during 1932-37 recovery.

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(Incorporated by Royal Charter 1853)

CAPITAL (PAID-UP) - £3,000,000
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PAID-UP AND FULLY PAID-UP - £20,000,000

RESERVE FUNDS (STERLING) - £8,000,000
RESERVE FUNDS (HONGKONG CURRENCY) - £10,000,000
RESERVE LIABILITY OF SHAREHOLDERS - £20,000,000

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Cawnpore	Madras	Nairobi	
Chittagong	Mandalay	Nakuru	
Cochin (S. India)	Nuwara	Entebbe	
Colombo	Rangoon	Jinja	Uganda
		Kampala	

Dar-es-salaam Mwanza Tanga ... Tanganyika Territory.

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

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Commonwealth Savings Bank of Australia, 8,894 Agencies at Post Offices in Australia.

As at 30th June, 1941:—General Bank Balances ... £180,782,179
Savings Bank Balances ... 150,458,585
Note Issue Department ... 77,144,518
Rural Credits Department ... 2,359,454
Other Items ... 19,795,546

A. H. LEWIS, Manager.

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ANNUAL INCOME EXCEEDS - £13,000,000

ASSETS EXCEED - £77,000,000

CLAIMS PAID EXCEED - £140,000,000

(1941 Accounts)

TERMS OF SUBSCRIPTION TO THE ECONOMIST

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The Political Dilemma

THERE are two statements about the present condition of British politics which would be almost universally recognised to be true. One is that neither of the two large parties evokes the slightest enthusiasm in the ranks of the people. The other is that these two parties are so firmly in command of the machinery of politics that there is no prospect for a long time to come of dislodging either or both of them. Between them, these two statements constitute the British political dilemma.

That the parties command no answering fervour among the electors is evident in everything that happens on the political stage. The present coalition is held together by one thing only—the personality of Mr Churchill, who is a party leader because he is a party leader. The members of the War Cabinet are, with one exception, men who were either party rebels or out of Parliament altogether four years ago. There is not a very great deal of enthusiasm for the Government in the country, but such as there is attaches to the fact that it has not been nominated by the party whips. There is a certain tendency on the Left to speak as if it were only the Conservative machine that had been deserted by the electors—a tendency founded on the coincidence that it is for Conservative seats that the great majority of by-elections have been fought. But there is very nearly as much disillusionment on the Left. The Labour leaders,

it is true, do not have the heavy burden of Munich to bear; they do not have to excuse the mistakes of a decade of peacetime misgovernment. But they do, by now, share to the full in the resentment that is felt at the fumbling timidity of so much of the policies of wartime. Labour leaders, on the whole, have not made good Ministers, and the public has come to believe, almost sub-consciously, that it must look for its supermen in the ranks of those whom Labour has expelled or in the ranks of those who have never borne the Labour label at all.

Without much doubt, if the elector knew of a better hole to go to, he would flock there in such numbers as to change the face of British politics. But there is no better hole. Most of the many embryonic independent parties have been strangled at birth by their own doctrinal muddle-headedness and practical ineptitude. None of those that are on offer today looks like capturing the attention of the public. Moreover, if a new party is to make its weight felt in the next two Parliaments—that is, before, say, 1954—it must be strong enough and rich enough immediately after the war to contest hundreds of seats. There is no such brand-new party in sight. Nor, moreover, is there the slightest sign of the creation of a new party by the classical method of a split among the leaders of one or more of the old parties. It is a pleasant dream to imagine the industrial protectionists of the Conservative party coalescing with the Trade Unionists (or

Labour protectionists) of the Labour party against another alliance of Socialists, Liberals and Nationalists—but it is only a dream. There is not the slightest sign of its happening. The more professionalised politics become, the more the average MP depends on his Parliamentary salary or on the supplementary payments he gets from sources commanded by the party—the less chance is there of any secessions either for conscience or for ambition.

But if there is no probability of new parties arising we shall have to make the best of the two that exist. How can they be converted into more effective instruments of governance? In part, of course, they are hampered by their own uncertainty of belief. Neither the Labour nor the Conservative Party is in the least sure what it stands for. They are nearest certainty when they are defending the vested interests of their dominant groups—the trade unions and the business men. But this is not an issue that divides them; on the contrary, it becomes yearly clearer that the devices of protectionism are very much the same whatever may be the identity of the intended beneficiary. In other words, when the parties are most sure of themselves, they are most at one, and when they try to pretend that they are poles apart in their philosophy of politics they are most inclined to talk nonsense. The truth is, of course, that the old distinction between Left and Right has become almost meaningless. The real distinction, which is emerging with ever greater clarity, is between the philosophy of the community serving the welfare of the individual and the philosophy that regards the community merely as a framework within which divergent interests can try their strength. And this is a cleavage which divides both parties equally. Neither can afford to take an open line on it, and both are therefore dumb on the only real continuing issue.

This embarrassment on principles would not, however, by itself produce the present stagnation. There have been periods in the past when party politics were vivid and brilliant without either party being certain what it stood for. The basic explanation for the present position is not that the politicians do not know what they stand for, but that nobody would believe them if they did. The fundamental defect in the present parties is the very low repute in which their active members are held. With all their defects and their equivocations and their ambiguities, the two parties between them would still suffice as instruments of government if they had between them any leaders of the sincerity of Bright, of the honesty of Peel, of the emotional power of Gladstone, of the integrity of Asquith, of the intellectual strength of Balfour or of the sheer administrative efficiency of Lloyd George. Apart from the leaders at the top, what is needed is to restore the ordinary back-bench MP to the position in the community that he used to hold, to make him representative of the best in his constituents, not of the worst.

To improve the personnel of politics, a double approach will be needed. It will be necessary, first, to discover and remove the impediments which now prevent the best men and women—the best wage-earners as well as the best business men or the best of the intelligentsia—from entering active politics. And secondly, it will be necessary, when the best men and women are willing to enter politics, to enable them to do so—which requires a willingness on the part of the two party machines to accept a radically different type of candidate.

In this connection, it is possible to make a practical suggestion which may be worthy of consideration. The American device of the primary is one that has never found a place in British politics. It is not, perhaps, a device that would be suggested for permanent use; but in the particular circumstances of British politics to-day, there is a great deal to be said for it. A primary, it is perhaps necessary to explain, is an election, held and supervised by the state, in which the members of each party choose by popular vote the party's candidate at the main election that is to follow. At the primary, the Republican voters choose the Republican candidate for, say, the Senate, and the Democrats the Democratic candidate, and the two winners fight it out at the election which follows in November. As practised in America, the primary tends, on the whole, to reinforce the machine's control of the party. But this is due rather to the incidental features of the system (especially to the pernicious practice by which the voter is placed on the register only if he takes the initiative in applying beforehand) than to the system itself. If the primary were adopted in this country, on the appointed day every voter would be entitled to vote, in his constituency, in one, but only in one, of the party primaries.

This would, in effect, be a way in which the state could say to every voter "I know you are a loyal Conservative (or Labour) elector and I am not trying to get you to vote for any new-fangled combination you don't really understand. But I do ask you to play a personal part in choosing your Conservative (or Labour) candidate and in making sure that he is the best standard-bearer you can find." If this appeal could be combined with a successful endeavour to get the best men and women of every type and walk of life to come forward, then, if there is any validity at all in the democratic faith, it would be the means of securing a vast and immediate improvement in the calibre of British politicians.

This suggestion doubtless seems fanciful at first sight. But what is in regular use in one democracy cannot be wholly impracticable in another. And the need for some revitalising force in British political institutions is urgent if the next phase in the nation's history is to be the consummation, rather than the abandonment, of the democratic ideal.

Vichy's Gleichschaltung

IT was reported last week that M. Jules Jeanneney and M. Edouard Herriot had addressed a protest to Marshal Pétain, accusing him of assuming unlimited dictatorship and of wanting to draw France, without Parliament's consent, "into the war against our allies." If such a protest has been made and its wording correctly reported, it is a startling document, coming as it does from the presidents of the Senate and the Chamber of Deputies, and its significance can hardly be glossed over. Before this, both M. Jeanneney and M. Herriot had refrained from any public utterance for more than two years. Their freedom of action was limited by the fact that they were the presidents of the chamber which voted plenary powers for Marshal Pétain. Whatever Vichy did until recently, be technically justified by that fatal vote of June, 1940. If the latest turn of events has forced the heads of the French parliament to break their silence, they must have become convinced that Vichy's new policy can no longer be reconciled even with the letter of

Pétain's plenary powers. The happenings of the last few weeks show quite clearly what line the new policy is taking. Laval has done away with the last remnants of the parliamentary system by dissolving the central offices of the Chamber and the Senate. The destruction of municipal self-government, too, has been completed. Recruitment for the *Légion Tricolore* has been intensified. The voluntary mobilisation of French labour for Germany has failed, so it has been made compulsory. And, lastly but not least in importance, the mass round-up of Jews in France, the country that was once the first in Europe to emancipate the Jews, clearly marks the point which Vichy has reached on the path of *Gleichschaltung*. What the Jews were given by the French Revolution and Napoleon has been taken away from them by the *Révolution Nationale* and Laval.

In a sense, the bankrupt cliques of Pétain and Laval act in the interests of self-preservation. The threat of a second front, strengthened by the Allies' bombardment

from the air and by the raids on St. Nazaire and Dieppe, has posed for Vichy the question of its very existence. For the belligerent nations, Allied and Axis alike, the widest issues of history are involved in a Western offensive. On it hangs the fate of the French people too. But the men who were responsible for France's capitulation are concerned with a far more selfish problem. St. Nazaire revealed to them the true spirit of the French people in the occupied zone. What they fear is another St. Nazaire—on a national scale. Laval has not missed the danger signals. He has set out to prepare for civil war and to forge the instruments by which he hopes to suppress any revolt against the German occupation and the Vichy Government.

This is the background of the reorientation of Vichy's policy, which now clearly aims at establishing a totalitarian state. It is worth pointing out that the new policy means a departure from the principles once accepted by Vichy itself. For nearly two years, the French Government officially denied any intention of imitating the German pattern. On his assumption of power, Laval himself indulged in "liberal" gestures and vague semi-democratic promises. The anti-democratic nature of the régime was always justified by French tradition. French political tradition, even that of the nineteenth century, was characterised by dualism; besides the fine record of parliamentary democracy, there was the legacy of Napoleonic absolutism and of Fouché's police state, continued by the Second Empire. To these authoritarian elements in the French political heritage Pétain professed fidelity at the same time as he declared himself opposed to the idea of a *parti unique*, a single party on the Nazi model. But now, under the pressure of danger, without and within, he seems to have overcome his scruples. The abolition of the central offices of the French Parliament has finally sealed the coffin of the Third Republic. These offices were the last remaining link between the former members of both parliamentary chambers; as such they were still a potential centre of political action and, therefore, had to be destroyed. Local government, too, was a possible threat to a Government afraid of its people. From now on, all public activity has to be placed under the strictest control of the cliques in power.

Two instruments of totalitarian control have been set up: the *Légion Tricolore* and the *Service d'Ordre Légionnaire*. The *Légion Tricolore* was originally founded as a corps of volunteers to fight on the Russian front. Its members took an oath of allegiance to Hitler and wore German uniforms. Vichy's attitude towards it was until recently non-committal; to disown it openly would have been too risky, and to approve it would have been too compromising. Vichy's recent adoption of the *Légion*, therefore, can be regarded as a measure both of its fear and of its determination to fight for survival at all costs. The *Lumpenproletariat* that swore obedience to Hitler

has now become a main buttress for the rule of Pétain and Laval. Its task is officially and loftily described as the "struggle for European unity"; its incentive is pay, which is double the amount given to regular soldiers. The Germans' attitude towards this force, whose very existence constitutes a technical infringement of the armistice terms, is eloquently patronising. The other instrument, the *Service d'Ordre Légionnaire*, is the French edition of the *Sturm Abteilungen*. And, to round off the picture, a French edition of the Nazi Party has been announced by Déat and Doriot, the two rival leaders of French fascism, who are attempting to unite their two movements. Paris, the seat of the new party, naturally moves along the totalitarian path with more determination and more quickly than Vichy. But Déat is Laval's mouthpiece; his *parti unique* has, therefore, probably been blessed by Laval.

The threat of a second front has also had a marked influence upon the French economy. It has certainly contributed to the big withdrawal of German orders from French industries. The dislocation caused by the withdrawal can be gauged by the fact that in the first months of this year, according to a statement made by the *Kriegsverwaltungschef*, Dr. Michel, German orders placed in France reached 100 milliard francs. The industries in the occupied zone have been placed under the orders of the German military administration, which hitherto was careful to leave some show of economic autonomy to the French. German army officers determine which French factories have to close down, and how the concentration of businesses, at present taking place, has to be carried out. German supervision is strictest in the building industry, which is engaged on constructing fortifications and defence points. A further reduction in the daily rates of the occupation indemnity, for which Laval hoped, has been refused, as the strength of the German garrisons in France has been increased. To meet its higher expenditure, the *Wehrmacht* has drawn on its *Reichskreditkassen* account with the Bank of France, to which the unspent part of the indemnity has been credited. Towards the end of 1941, the balance in favour of Germany was 64 milliard francs; towards the end of June, 1942, it had dropped to 49 milliards. Thus, not only are the current indemnity payments being used to meet "second front expenditure," but also the reserves accumulated before—which will inflate the volume of currency still further.

The slump on the Stock Exchanges is another significant symptom. It started in the early summer—about the time of M. Molotov's visit to London—after a long and sustained boom. The index for industrial share prices dropped on the Paris Stock Exchange from 152.5 at the end of May to 143 at the end of July; and the Vichy press itself points to the "dangers of the international situation" as one of the main causes of the



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slump. Hoarding of banknotes is the peasant's reaction to political uncertainty. And the whole system of a closed capital market, which enabled Vichy to counteract the inflationary tendency inherent in the economy of a defeated country, has now reached breaking-point. The tide of inflation is swelling; and to obtain money Vichy is compelled to rely more and more on the printing press.

Laval probably hopes that closer control over the country will help him to master the growing economic disorder. Economic and political calculations are interwoven in the totalitarian trend. But will he succeed in putting his plans into effect before the Allies join battle with the enemy on French soil? This is the vital political aspect of the second front. Allied strategy must reckon with the prospect of a France internally divided in face of an Allied offensive. But it can be said, without undue optimism, that the array of France's internal forces will not favour Vichy. In the occupied zone, Allied attacks could certainly count on the spontaneous support of the bulk of the French people. Two years' experience of German occupation has cured them of their apathy of the early phase of the war. The anti-British feelings, instilled by Nazi propaganda, have been submerged by the more recent hostility towards the German invader. In the unoccupied zone, Vichy may still be able to muster some support in its

defence. But it will hardly be able to gather the strength which can be derived from totalitarian organisation. So far, no such organisation has been erected merely by decrees from above. Hitler and Mussolini were carried to totalitarian power on the crest of great popular movements which were inspired by Fascist or National-Socialist mystiques. No such popular forces favour Laval. The hopeful paradox of France's rôle in this war is that, after three years of war and two years of armistice, the morale of its people stands incomparably higher than it stood on September 3, 1939.

Faced with difficulties on the home front, Vichy may, however, try to overcome them by some new *coup d'état* or by some desperate adventure in foreign policy. The resumption of military action in Madagascar has been exploited by Déat for his new anti-British drive. Luchaire, Déat, Doriot and other extreme collaborationists are impatient to see France finally join the "all-European crusade against plutocracy and Bolshevism." Pétain and Laval are steadily giving way to their pressure, while still trying to avoid any final and irrevocable commitments. Laval has protested against American participation in air-raids over occupied France, but his reaction to the rejection of his protest has still to be made known. In this context, M. Herriot's statement that Marshal Pétain is seeking to draw France "into the war against our Allies" may perhaps be read as a portentous warning.

The Land

THE Uthwatt Committee, whose final report (Cmd. 6386) was published last week, was set the practical task of examining the present system of land ownership and of advising on the changes that will be necessary in order to bring it into harmony with the communal interest. It was thus not concerned with the nationalisation of the land as a matter of policy and, unlike the Scott Committee, whose report was discussed in *The Economist* on August 22nd, it was not concerned with the future use of the land. Its job was simply to prepare the basis for legislation designed to remove the obstacles in the way of orderly reconstruction and development by the Government and private enterprise, and to transfer the unearned increment of land values from individual landowners to the community. It is in the light of these objectives that its recommendations must be judged. Ministerial pronouncements entitled the committee to assume that haphazard development would give way to planned development by a national planning authority, "with a high degree of initiative and control." While it holds the view that the state must determine the areas in which private initiative and enterprise are to operate, it wisely refrains from painting the picture of post-war Britain.

The preconditions of planned and imaginative reconstruction and development are set out boldly. They are three and indivisible. First, land should be purchased by the state against fair compensation, not at one fell swoop by outright nationalisation, but if and when required for reconstruction and development; land thus acquired by the state should not be resold for private development but leased for an appropriate term of years determined by the nature of the proposed use. Distinguishing between non-built-up and built-up areas, the committee recommends, secondly, that the state should purchase the right of development on the former, and thirdly, introduce a levy on the increased annual value of the latter. These three principles are unexceptionable. They are not novel; they have their roots deep in the history of British thought about the land. But, for the first time, they have been woven into a single pattern for the utilisation of the land in the national interest.

The committee only recommended the piecemeal acquisition of land by the state after careful examination of various alternatives, such as private pooling schemes, outright nationalisation, and the conversion of the land from freehold to leasehold, to be held by the present

proprietors as lessees of the state at a peppercorn rent for a uniform term of years. It has frequently been suggested in recent years that pooling schemes could achieve the same objects as state ownership without interference with private ownership. The owners of all the land and buildings in a given area would, if necessary by compulsion, sell their properties to a corporation in exchange for shares representing the value of their interest. The system is in some respects analogous to amalgamations in the industrial sphere which, as the committee was quick in detecting, often pave the way for the elimination of competition. It sees many grave objections in such pooling arrangements; not the least is that they would involve the creation of a commercial monopoly in each corporation over a wide area of land. So far as land nationalisation as a matter of general policy is concerned, the committee felt that this was not within the scope of its terms of reference. As an academic exercise without regard to administrative or other consequences, immediate transfer of the land to public ownership would, in its view, present the logical solution. But this policy is rejected as impracticable as an immediate measure; it would arouse keen controversy and therefore cause delay when speed is of the essence, and it would involve the setting up of complicated administrative machinery to deal with the whole of the land when, as was pointed out in *The Economist* on January 10th, only a small fraction of it is likely to be affected by immediate plans after the war. The third alternative, that of converting all land into leasehold, to revert to the state after a uniform period of years, is put forward by the committee for consideration. In essence, this proposal amounts to a form of nationalisation, with delayed effect. Subject to the needs of planning, there would be no interference with the present owners of the land. This alternative has attractive possibilities, though it is one upon which the members of the committee are not agreed.

The acquisition by the state of the rights of development in all land outside built-up areas (subject to certain exceptions) on payment of compensation is regarded by the committee as an essential minimum necessary to remove the conflict between public and private interest and to facilitate the planned utilisation of the land in the communal interest. In its view:

It is clear that under a system of well-conceived planning the resolution of competing claims and the allocation of land for the various requirements must proceed on the

basis of selecting the most suitable land for the particular purpose, irrespective of the existing values which may attach to individual parcels of land.

In present conditions, the realisation of this aim is practically impossible, because local planning authorities are liable to compensate the landowners concerned for deprivation of potential development value; this, the committee points out, is unquestionably the greatest obstacle to effective planning. The expectation that development will take place is an important factor in the market price of land, especially on the outskirts of towns. But, like the ball in the game of *roulette*, which can only settle on one number, the parcels of land actually selected for development represent only a fraction of the total area available. As the committee puts it, "the sum of the probabilities as estimated greatly exceeds the actual possibilities"; but it is for the sum of the probabilities that compensation has to be paid. Again, if building is prohibited on some land on the fringe of a town, its potential building value merely shifts on to other land, and aggregate values may not be substantially affected; but the owner of the land prohibited from development will naturally claim compensation for its full potential development value.

The case for vesting all development rights in the state seems unanswerable in the general context of the committee's recommendations. Its scheme envisages the prohibition of development on all land outside built-up areas, except under the authority of the Central Planning Authority; the payment of compensation for the loss of development value on the lines adopted for the state purchase of coal-mining royalties; the purchase by the state of the land itself, if and when required for approved development, whether for public or private purposes; and, in the case of approved development for private purposes, the leasing of the area to entrepreneurs.

The third main ingredient of the committee's report is its scheme to transfer to the community a large part of any increase in site values. So far as non-built-up areas are concerned, "betterment" will be secured for the nation automatically. Once the state has acquired the rights of development, building in any given area can only be carried out by the consent of the state, which then

purchases the land and, by means of the rent charged, can obtain the full increase in its annual value. In order to secure betterment in built-up areas for the community, the committee has worked out an ingenious scheme. Hitherto, all attempts to recover betterment for the community have failed, largely because it has been defined as increases in values due to the action of central and local government authorities. The committee, realising the impossibility of apportioning increases in site values between Government action and general economic tendencies, recommends a periodic levy on a fixed percentage of increases in annual site values—it suggests a figure of 75 per cent—as revealed by quinquennial assessments, from whatever cause such increases arise other than by certain expenditure of the owner. The adoption of this principle is undoubtedly sound, for increases in site values due to general economic tendencies are no less unearned increments than increases attributable directly to Government action. It is suggested that the levy should be charged not only when the increase in a site value is realised, but also when it is "realisable." Thus,

the annual value of a site would be determined by reference to the most prudent use of the property in its actual physical state of development.

The committee recommends that, subject to certain qualifications, the compensation payable on the public purchase of land should not exceed the March, 1939, ceiling, pending the introduction of the betterment scheme.

These are merely the bare bones of the committee's report, which, in its realistic treatment and detailed analysis of the implications of its proposals, stands in striking contrast to the sentimental document issued by the Scott Committee on Land Utilisation in Rural Areas. The committee admits that its recommendations may be open to criticism in detail, and one of its members has made important reservations. It will be no mean task to translate the principles laid down by the committee into legislation. In particular, the problems of valuation and compensation may give rise to many difficulties. But, taken as a whole, the proposals are sound and practical. What is now needed is the requisite legislation and the speedy creation of a Central Planning Authority.

Reflections on the TUC

THE Trades Union Congress, 1942, was marked by the growing sense of consciousness on the part of its rank and file of the vital issues facing the Labour movement at this critical stage of the war. The Congress was described by the Mayor of Blackpool in an address of welcome as second only in importance to Parliament; it certainly provided an example of vigorous democracy, for an outstanding feature of this year's meeting was the fact that the General Council was not, as so often in the past, able to secure an easy victory for its proposals. Even though it gained its way on most points, if necessary by bludgeoning, the margin was often uncomfortably narrow, and the leaders were challenged on a great many issues, where Congress felt that they were not pursuing a forward policy or giving a sufficiently definite lead.

When, indeed, the Council put forward constructive or militant proposals, it received an overwhelming vote of confidence. Thus Congress fully endorsed its action in regard to the Trade Disputes Act; Mr Churchill's letter, asking that this controversial matter should not be pressed in the interests of "national unity", was felt to be an insult to the Labour movement and, as Sir Walter Citrine said, "an abuse of national unity." Again, the Council's proposals for post-war reconstruction, notably on education and social security, met with general support. The education memorandum is one of the most hopeful documents that has ever appeared from Transport House, and the minority which opposed the report on religious grounds met with short shrift from the bulk of the Congress. Although the social security programme leaves much to be desired, especially in its

financial proposals, it has the merit of courage in standing up to the powerful vested interests represented by the insurance companies. The demand for the removal of National Health Insurance business from commercial interests and for the introduction of a death benefit will receive support from many outside, as well as inside, the trade union movement. That the only objections to these two proposals came from the Federation of Insurance Workers is perhaps a foretaste of the opposition which will have to be met by the Beveridge Committee if it proposes that these glaring defects in social insurance administration should be remedied. The acceptance by Congress of the principle of a family allowances scheme, on a non-contributory basis, is also an important decision.

One point on which the attitude of the General Council seemed to fall short of delegates' desires was shown in the demand that Labour should play a still more effective part in production. The unions which expressed themselves most strongly on this issue were significantly those most directly concerned in war production—engineers, miners, railway workers and electricians. Those which adopted a more cautious and conservative attitude were the two general workers' unions—the Transport and the Municipal Workers. The composition of the General Council is singularly unrepresentative of the new alignment of forces. Thus the Amalgamated Engineering Union, with nearly 600,000 members, elects only one representative, while the two general workers' groups, with approximately twice as many members between them, elect six representatives. Congress, stimulated by the key war production unions, passed resolu-

tions calling for increased participation in management; compulsory joint production committees with representatives of technical staffs; the establishment of a Central Planning Board to coordinate scientific and technical research; the representation of trades unions on the Ministry of Supply Controls; and increased production of rubber substitutes. Impatience with obstacles to productive efficiency was forcibly expressed—numerous examples of delay and waste in aircraft and tank factories were quoted. Mr Arthur Horner, South Wales miners' delegate, struck a realistic note in calling attention to the grave coal position and appealed for maximum economy in consumption. On the question of women in industry, there are signs that the old-fashioned prejudices among some craft unions have been broken down. The principle of the "rate for the job" and the demand for the speedier mobilisation and better utilisation of woman-power were enthusiastically supported. The present membership of women is well over a million and is rapidly increasing; the election of Miss Anne Loughlin as next year's President is a tribute to the part played by women in the war effort.

Many members of the Congress showed themselves impatient with the policy of heresy-hunting and searching for Red herrings, which they felt distracted from the achievement of unity within trade union ranks. This was demonstrated in the vote on the Black Circular—banning Communists from election to Trades Councils—on which the General Council secured a very slender majority, and in the discussion on the Labour Research Department, a body alleged to be under Communist influence, but to

which many important unions acknowledged indebtedness. The desire for unity in the international field was also expressed. Congress listened attentively to Sir Walter Citrine's account of his negotiations with the American unions, but there was considerable dissatisfaction that his mountain of labour should have produced such a very small mouse. The one-sided agreement with the American Federation of Labour was felt to be very incomplete—the CIO claims equal membership with the AFL, and represents the workers most directly concerned in war production—and the fact remains that the position is no more advanced than before the Citrine mission—on the contrary, in fact, since much bitter feeling has been aroused in America. Nor will it further the tripartite relations with the Soviet Trade Unions. Incidentally, one wonders why the Russians received no invitation to attend the Congress; this appears a surprising omission since close collaboration is said to have been achieved between British and Soviet unions; moreover, other foreign delegates were present and messages were received from many countries.

Equally noticeable was the omission from the week's deliberations of any references to wages policy, although clothes rationing, food rationing, fire-watching, income-tax, service pay and many other home front questions were discussed. The reason for this is presumably the disinclination on the part of the leadership to interfere in matters regarded as the province of individual unions. But in present circumstances it is surely a subject regarding which national trade union policy should be made known.

NOTES OF THE WEEK

It is September 19th

The battle for Stalingrad has reached what may be its final stage. During the week Von Bock seems to have succeeded in closing in on the Volga city by three converging thrusts—from the south-west, west and north-west. It may, of course, still happen that the prize eludes the Germans' grasp; the Russians may, perhaps, still be able to redress the position by a "last minute" effort. What militates most strongly against such a possibility is the enemy's great superiority in the air, as a result of which Stalingrad is being reduced to ruins as Sebastopol and Rostov were before. Marshal Timoshenko's men are apparently fighting without any means of retreat. Behind their backs there is the Volga, and, according to a semi-official statement, the river fleet has been withdrawn to the north on Stalin's personal order. The knowledge that "all the routes of retreat have been cut" may act as an additional stimulus to the high fighting spirit of Stalingrad's defenders. But, if taken literally, and carried out consistently, the order may also mean an important and risky departure from the previous tactical principle, which under similar conditions usually aimed at extricating the Russian forces from encirclement. The remarkable prolonging of the battle for Stalingrad will, no doubt, weigh upon the next phases of the campaign, no matter what are the immediate results of the present phase. The Volga is navigable only during about six months of the year; the Russians were therefore able to use the greater part of the season for shipments of oil from Baku to the north, a fact which will favourably affect the size of the country's oil reserves. But the consequences of the protracted fighting at the gates of Stalingrad may be even more important for the whole strategical outlook. It is September 19th—nineteen or twenty, Mr Lyttelton said this week, of his eighty critical days remain—and the bulk of the German forces are still pinned down on the southern front. The battles in the north—around Voronezh, Rzhev and Volkhov—may yield little in terms of territorial gain; but they are surely bound to dislocate the advanced bases which the Germans may contemplate for use later on in offensives against Moscow and Leningrad. To sum up, the fall of Stalingrad would still be a telling blow to Russia, to its striking and staying power; but the fact that the blow has been so long delayed may rob it of part of its force.

Words at Westminster

The brief reassembly of the House of Commons last week was marked by more sparring than it has seen for some time. The resentment aroused in Members by Sir Stafford Cripps's reproaches on the way the House treated Mr Churchill's war review had by the end of the week given way to open hostility towards the Government in some quarters. Partly, this hostility was but another stage in the long quarrel between Mr Churchill and Mr Aneurin Bevan. Owing to the early collapse of the debate on the war, Wednesday's sitting was given up to the financial side of the Vote of Credit, but Mr Bevan's speech was almost entirely confined to an attack on the Prime Minister, "whose continuation in office [he said] is a major national disaster." This personal animosity was revealed again after Mr Churchill's statement on India, when Mr Bevan's comments stung the Prime Minister into calling him "a merchant of discourtesy." But it was not only Mr Churchill who was the object of attack. There was also what appeared to be a recurrence of the old antagonism between Sir Stafford Cripps and the Labour party. Sir Stafford's strictures on Members' absent-eism were possibly partly responsible for provoking this; but there must have been something else behind Mr Shinwell's gibe that the Leader of the House ought to recognise the Labour party, "whatever may be his political views at the moment," and behind the bitterness of a Labour member's remark that "the man who has written those heroic pamphlets on Socialism" could defend the 6d. a day increase in Service pay. But personal quarrels were submerged in the all-party attack on the Government over Service pay and in Labour's attack on the Government's India policy. Both of these topics will probably come up again when Parliament reassembles, and though tempers may have cooled in the meantime, the Government is likely to continue on the defensive. The age and weariness of the present House of Commons, one of whose first tasks on its return will, unfortunately even though inevitably, be to prolong its life for another year, frequently make it an inefficient instrument of constructive criticism. But the main subject of dispute last week—Service pay—was more than an outlet for the discontents of captious critics; it was a matter on which the House was faithfully reflecting public opinion, and the Government would do well to treat its views on it with respect.

Woolworth Concession

The Service pay debate found the Government falling heavily between two stools. On the not unreasonable assumption that it would fail to adopt a drastic solution—to fix a ceiling for wages; to introduce forced savings; and to grant really substantial increases in pay, deferred pay and allowances—there were two practical possibilities. The Government could either have taken its now notorious White Paper *au pied de la lettre*, and contended that the financial plight of the Services was insufficiently desperate to justify further rises, or it could have announced an increase high enough to buy off discontent for the present. From the purely cynical standpoint, a rise which does not achieve this objective—which irritates as much as it soothes—fails in one of its major objectives. As far as other ranks are concerned, the concessions are a rise of 6d. a day in basic pay, bringing the minimum rate to 3s. daily; and increases in allowances for the first three children from 8s. 6d., 6s. 6d. and 5s. to 9s. 6d., 8s. 6d. and 7s. 6d. respectively. The total weekly increase in allowances for children where there are three in a family thus amounts to 5s. 6d. Unfortunately, since this concession is apparently not coupled with any modification of the terms under which War Service Grants are paid, there will be many cases where the only benefit to the soldiers' dependants will be that the 5s. 6d. will in future be automatically paid by the War Office rather than as a grant through the Ministry of Pensions. The worst single feature of the Government announcement is undoubtedly the failure to adjust the terms of War Service Grants so that the poorest receive a real benefit. But it is also very regrettable that the increase in basic pay should have been lower than 1s. daily. The present basic rate of 3s. a day is after all only 3d. higher than the normal basic rate paid prior to October 26, 1925, despite the intervening rise in the price level. The Government's declared intention to regard the new levels as final, subject to the stabilisation of the cost of living, clearly depends on how successfully this is achieved. But the disparity between civilian and service earnings should not be regarded as stabilised, whatever level prices ultimately attain. The debate, which was a stormy one, contained only two speeches sympathetic to the Government, whose statement cannot, in the circumstances, be regarded as final.

Riots in Retrospect

The Prime Minister's statement on the Indian situation has found many critics, both of its content and its manner. It must be admitted that the confident intransigence with which it was shot through has scarcely eased the solution of the present impasse. It would be a mistake to assume that Mr Churchill is not alive to the full and baffling complexity of the Indian problem or that he fails to diagnose it with blunt realism, but his approach still smacks of his oppositional phase. The two striking features of his statement were the affirmation that the principles laid down at the time of the Cripps Mission still hold good "in their full scope and integrity" and his attack on the Congress Party. As far as the riots are concerned, Mr Churchill minimised the disturbance to a greater extent than either Mr Amery in the subsequent debate or Sir Reginald Maxwell, Home Member of the Government of India, in the Assembly. There appears little doubt that for some days the calculated sabotage of communications in Bihar and the eastern part of the United Provinces reached very serious dimensions. That the riots fell short of a revolutionary scale is due to the prompt and effective action of the Government of India and to the sense of responsibility of the greater part of the Indian population. The immediate danger has been fended off, and the House of Commons, debating the matter on a motion for the adjournment, dwelt mainly on the future. The basic problem of how to enlist active and united Indian support for defence against the Japanese is further than ever from solution, nor was a convincing answer provided by any speaker. The essential difficulty remains that Indian unwillingness to resolve inter-communal difficulties has faced the British Government with the necessity of adopting a *pis aller*. Imprisonment of the Congress leaders and the use of strong measures are not the ideal way of procuring unity, but it is better than passively permitting civil war and revolution. Whether or not the Congress leaders have been actively inspired by the Japanese is an almost academic question in present circumstances. Nor can there be any real prospect of reopening negotiations until a working basis can be found. The Prime

Minister's failure to point out that all parties in India, and not the Congress Party alone, rejected the Cripps proposals robbed his statement of perspective. The efforts of Mr Rajagopalachari and others to find a formula capable of solving the communal differences, as the prerequisite of fresh negotiations, deserve every encouragement and sympathy, for they point to the ideal solution. But there can be no negotiating which detracts from the Allied ability to defend India.

Japan Retakes the Offensive

Since the failure of the enemy offensive at Milne Bay, the threat to Port Moresby from the north has become substantially more serious. An announcement from General MacArthur's headquarters on September 9th indicated that the Japanese had succeeded in breasting the Owen Stanley range and in descending ten miles toward Port Moresby. Fighting in this region has been particularly severe ever since the drive from Kokoda was renewed some fourteen days ago. The Japanese success, which appears to be mainly due to superior use of the terrain, has enabled the Allied positions to be outflanked. There is plenty of fight still left in the defenders of Port Moresby, and the more than forty miles, as the crow flies, which still separate the Allied base from the Japanese are by no means easy going. But the latest Japanese success, despite effective Allied intervention in the air which has included sustained bombing of Buna and other bases, provides yet one more demonstration that natural obstacles provide no sort of ultimate security against efficient and relentless attack. It remains true that the supply position has become more complicated for the enemy since the mountain range was placed between the advancing units and their base, while it has been correspondingly simplified for the Allies, a consideration which may explain the short lull which followed the conquest of the pass. Meanwhile, in the Guadalcanar area of the Solomons attacks on the air base have been renewed, though here the Allies are holding their ground. It may be that the renewed attack, as was the case with the enemy landings at the beginning of the month, seeks merely to reinforce and sustain the guerilla units which fled inland when the original American landing was made. But, as Admiral Nimitz pointed out in a speech at Pearl Harbour, the Japanese, so far, are by no means on the run.

The Price of Surrender

Major Lloyd George, Minister of Fuel and Power, is said to be touring the coalfields. When Parliament meets again, he will be called upon to give an account of the prospects for the coming winter and to report upon the fuel economy campaign. If the forecasts of Mr A. Horner, of the Mineworkers' Federation, and of others are in accordance with the facts, Major Lloyd George's account will be anything but cheerful. The opinion is widely held that a coal squeeze can now hardly be avoided, and that a hard winter may bring a crisis. The course of production is disappointing; the benefits of the reorganisation of the coal-mining industry can hardly be reaped before next year, and the new Essential Work Order, which is intended to tighten discipline among miners and came into force this week, is unlikely to raise high hopes. Mr Grenfell, formerly Minister of Mines, is expected to renew the demand for the release of additional miners from the Services. If, as has been evident for some time, the demands for coal cannot be met in full during the winter months, it will be all the more urgent to ensure that essential users of coal are not starved of fuel. In the absence of the requisite statistics, it is impossible to assess the rate at which supplies will be needed for vital purposes. On the other hand, calculations based on published data suggest, rather surprisingly, that supplies available for home consumption are actually 5-7 per cent bigger than in 1937, a year of heavy industrial consumption. If this estimate is at all correct, it is difficult to resist the conclusion that supplies should be adequate for vital purposes and that if present production is maintained and no serious transport difficulties arise, the prospective shortage will be the weight of the coal that could be saved. It is equally obvious that, in the absence of careful distribution, some consumers will deprive others of their bare needs. Unfortunately, the problem of distribution has not been tackled in time. In industry, which absorbs three-fifths of production, the system of allocation foreshadowed in the White Paper issued early last June is only now in process of introduction, and domestic rationing at this late

hour would involve administrative difficulties of no mean order. The price that will have to be paid for the Government's weak surrender to a vocal minority last spring may be a heavy one.

Overhauling Manpower

On more than one occasion in recent months, the Minister of Labour or one of his spokesmen has declared that the country has reached the stage of full mobilisation of manpower. It may, therefore, come as a surprise that the Ministry of Labour is to undertake a complete overhaul of the registers of men and women. For men of military age, this has been going on for some time, ever since reservation was replaced by individual deferment; but, now, men aged 41-50—the 50's will register on Saturday—will be combed-out to see if any can be transferred to industry, and women aged 18-45—the 45's will register on October 3rd—for calling up to the Services or for transfer to industry. The comb-out does not, however, mean that the existing definitions of essential civilian work will be revised. It is rather intended as a means of catching people who have left the jobs they were in when interviewed or to which they were directed. Since, however, women aged 18-30 cannot change their employment without the permission of the labour exchange, it should only apply to the older women and men. If large numbers of young women are, as a result, found available for the women's Services, it will be gratifying, but it will also be a reflection on the efficiency of the Ministry of Labour's registration and placing machinery. Nevertheless, the new comb-out does not invalidate the general premise that the mobilisation of manpower is virtually complete, so long as present definitions of essential work are maintained. Neither industry nor the Services can any longer count on large recruitments from single classes or age-groups. Moreover, industry, like the armed forces, must have reserves if it is to be constantly losing part of its full production. It, too, is continually losing part of its strength, through ill-health, old age and other causes; and the immobility of a large part of the labour force means that reserves are needed for periods when it is necessary to speed up particular branches of production. Thus, the Ministry of Labour can never, so long as the war lasts, cease combing out civilian manpower, because industry will always want more recruits. Since, however, this means that the strain on the labour force of essential civilian occupations will become greater than ever, it is the duty of the authorities concerned to see that labour which has been transferred to war industry is used as economically and efficiently as possible.

Lex Sauckel

Vichy's new labour law under which everyone living in France can be compelled to undertake work considered to be of national importance was decreed a few days after Germany's labour dictator, Sauckel, issued "regulations for the employment of workers in the occupied territories." The aim of the regulations is to harness to the German war machine all workers in occupied France, Belgium, Holland, Norway, Serbia, the Baltic States and all other occupied territories. The decree itself introduces a priority list for the employment of workers. Demands of the German war industry have first priority, which can only mean that the so-called voluntary transfer of workers to Germany is replaced by compulsion. The German armies of occupation and the German civil administration have been given first claim on the manpower that remains in the occupied territories. The demand for workers for the construction of fortifications along the Atlantic coast has certainly increased considerably. Firms working on German armament orders in occupied countries will be supplied after the demand of the armies of occupation have been met. Next in priority follow the agricultural industries, and the remainder of the labour force can be employed by the civilian industries of the occupied countries. There is no doubt that the German army, and particularly the expanded police divisions of the SS, will enforce the new regulations. Sauckel demands from all foreign workers efficiency equal to that of German workers, and for this purpose working hours are to be brought up to the German level, which means an average of 60 hours per week. Work on Sundays and holidays will, if necessary, be compulsory, and

efficiency is generally to be increased by the introduction of piece-work. German discipline will also be enforced, that is to say, heavy penalties are threatened for absenteeism and slackness. It may be expected that, apart from direct compulsion, the Nazis will employ all the methods which were first used in Germany in 1933. Unemployment benefit will be stopped and ration cards withdrawn if workers refuse to take up work. At the same time, unwilling workers will be sent to labour camps which are virtually prison camps. The *Lex Sauckel*, which has been faithfully copied by Vichy, reveals the serious shortage of labour in Germany, in spite of the fact that at present a total number of roughly six million foreign workers are already employed in Germany. From 3 to 3½ millions are "voluntary" workers; the remainder are prisoners of war. In other words, 25 per cent of the total number of workers employed in Germany are foreigners. But more are wanted to replace Germans in preparation for the production programme for 1942-43.

The Cost of War

For the third time during the current financial year, the House of Commons has granted £1,000 millions for the prosecution of the war. On the occasion of the debate on the Vote of Credit last week, Sir Kingsley Wood pointed out that the cost of the war during its first three years amounted to the astronomical figure of £10,000 millions; this is equivalent to more than twice the size of the total national income in 1938, not allowing for the intervening rise in prices. He contended that the war has hitherto been financed on sound lines and that, with equal circumspection, the tasks ahead can be faced with confidence. It is of course quite true that a larger proportion of total Government expenditure than during the last war has been financed by taxation, that the index of the cost of living has been stabilised, that the transfer of real resources from civilian to Government use has been virtually completed, and that, at present prices, Government expenditure is approaching its peak. But the equilibrium is an unstable one and there can be no justification for complacency. The rise in prices on the free market, for instance, is a sign that the seeds of inflation are taking root. Great care is still needed, and the extension of rationing and price control, which should be simplified by further measures to standardise consumption goods, seems essential. But it is doubtful whether the danger can be avoided without calling a halt to the rise in wage rates and salaries. President Roosevelt has courageously grasped the nettle of inflation in the United States, after only nine months of war; the time has surely come to stop the gaps on Great Britain's financial front.

Madagascar and the Middle East

The British operations in Madagascar which began on Thursday of last week have been successfully concluded, and in less than a week, the forces which landed at Majunga and Morondava on the west and south-west coast of the island rapidly advanced inland. That their progress met with so little opposition is hardly surprising, in view of the numerical superiority over the French, estimated to number no more than 10,000, mainly native troops. Intimating that resistance would shortly cease altogether the Governor-General in a message to Marshal Pétain, affirmed Madagascar's "irrevocable intention of remaining united to France"; and the Allied declaration of the intention to restore the island to France after the war no doubt discouraged resistance. The operation was described as a "precautionary move" to forestall Axis penetration, which had recently been intensified; the occupation of the naval base of Diego Suarez at the extreme north of the island last May was certainly an insufficient safeguard against the danger of Japanese encroachment. The delay in following up the initial landing is probably attributable to the need at that time to concentrate all available resources on the Egyptian theatre of war, since developments in Madagascar are closely related to Middle Eastern and Mediterranean strategy as a whole. The present move is perhaps also a sign of confidence in the ability of the Allies to hold Rommel in Egypt. The combined raid on Tobruk last Sunday, carried out apparently with success, reflects the same tendency. Now that all Madagascar, with its valuable oilfields, lies under Allied mili-

tary control, it should have the effect of safeguarding the Mozambique channel, in which enemy submarines have recently been active, and should greatly increase the security of the Cape route. Vichy reactions have ranged from indignation to injured innocence; some nervousness is expressed about the safety of Dakar and Casablanca, but resentment is greatest at American "responsibility." No doubt the bitterness would have been increased if Fighting French troops had been engaged in the operations; the fact that none were employed is presumably due to the Allied anxiety not to involve Frenchmen in hostilities against their compatriots.

Bombs from the East

Koenigsberg, Danzig, Schneidemuehl, Berlin, Poznan, Warsaw, Breslau, Budapest and Bucharest have been bombed by Russia. All these towns harbour important industries or are, like Schneidemuehl—roughly 160 miles to the east of Berlin—important railway junctions. Koenigsberg is the industrial centre of the predominantly agricultural province of East Prussia, the food, chemical and machine industries of Koenigsberg have been developed considerably. Danzig is, again, one of the most important ship-building centres in Germany. Berlin contains the greatest single concentration of heavy and light engineering industries in Germany. Breslau is also an engineering centre near to the industrial area of Upper Silesia. It may be assumed that the old-established engineering industries in Poznan and Warsaw have been extended under German occupation. Budapest, the capital of Hungary, contains the greatest industrial concentration in Hungary. Berlin is exactly 1,000 miles to the west of Moscow, and a glance at the map will show that the Moscow region is the most likely base for Russian bombers used in bombing Eastern Germany, Hungary and Roumania. The bombing of Berlin makes it clear that the whole territory within a 1,000-mile radius from Moscow can be bombed. This radius reaches to Rostock on the Baltic coast, and covers, in the south, the vitally important Upper Silesian industrial area, including the Polish Dombrowa district and the Czech Olsa district; the coal output of this area may have reached the coal output of the Ruhr area. Budapest, Bucharest, the Roumanian oilfields and the Bulgarian Black Sea port of Varna are all of them situated within the 1,000-mile radius. Koenigsberg, Poznan, Warsaw and Breslau are the most important supply depot bases for the German armies in Russia. No doubt all these towns are promising targets for bombing. Damage to railways, to supply depots and factories should have an appreciable effect on German fighting power. The great distances show, however, in spite of the fact that the Russians are specialists in long-distance flying, that the weight of the bombing attacks cannot be very great. The psychological effect on the German population will probably be far greater, because of the evacuation of many Germans from Western to Eastern Germany.

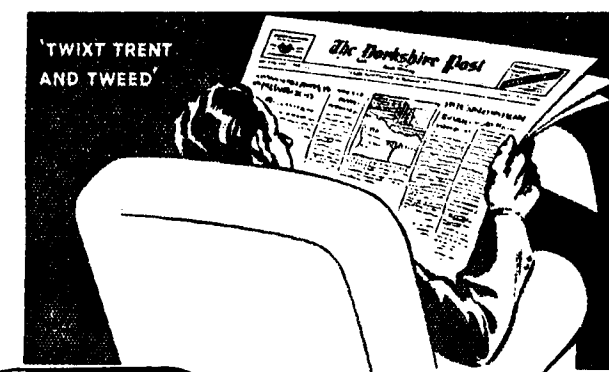
Raw Materials

During a debate in the House of Lords on September 10th, Lord Portal, Minister of Works and Planning, gave an account of the raw material supply position. While admitting bottlenecks in the production of war supplies, he assured his audience that there were no hold-ups due to raw material shortages. Lord Portal quoted some interesting facts and figures showing the extent to which civilian consumption has been cut down. Some 93 per cent of steel supplies are being used directly and indirectly for military purposes. Civilian consumption of textiles has been reduced to about a quarter of the pre-war level; the supply of clothing has been cut to 45 per cent, and that of household textiles to a mere 10 per cent. The salvage campaign plays an important part in the conservation of essential raw materials. An average of 26,000 tons a week of iron and steel scrap is collected by the Ministry of Works and Planning, and a further 6,500 tons by local authorities. The weekly collection of waste-paper has increased from 12,500 tons to 18,000 tons during the past nine months. Capacity for dealing with reclaimed rubber is "more than sufficient to cope with the amount which we shall be able

to use in this country." Lord Portal reaffirmed the Government's decision to rely on the United States for supplies of synthetic rubber; the question of whether it is advisable to put up a small plant here is "in course of being settled." As a record of past achievements, Lord Portal's review is impressive. But, as President Roosevelt pointed out on September 14th, the United States has little more than passed the half-way mark towards maximum possible war production. Large and growing though the raw material supplies of the United Nations are in comparison with those of the Axis, the increase in demand may give rise to difficulties. As Lord Winster aptly pointed out during the debate, "superiority in supplies is not enough; the test is how to use them." Economies in use by making a given weight of materials go further is a way of avoiding shortages practised with profit by Germany.

Calling-up Doctors

The first and second interim reports of the Medical Personnel (Priority) Committee, under the chairmanship of Sir Geoffrey Shakespeare, MP, were recently published. From the point of view of the civilian public, the call-up of doctors has not affected their health—though it is very regrettable that the intermediate medical examination of school children is to be abandoned—and has hardly affected their convenience. On the average, according to the Minister of Health, there is one general practitioner for 2,700 of the population of England and Wales, compared with one per 2,200 before the war. He gave a warning, however, that this proportion could not be maintained, since the call-up was continuing and more intense demands on medical manpower were likely to be made by the Services in the future. From the point of view of the doctors left in general practice, the call-up seems to have affected them unevenly. In spite of attempts to rationalise the mobilisation of doctors, there still appear to be some in evacuation areas who are underemployed, whereas others in reception areas are grossly overworked—while all are overburdened with purely clerical work resulting from the multiplication of certificates. The Service doctor, again, finds



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himself fully occupied or not, according to where he is posted. The Services are bound to be wasteful in their demands on doctors so long as there has to be a medical officer for each small unit, though it is true that men in the Services, and particularly the RAF, receive, through medical examinations, inoculations and so on, far more medical attention than they would normally ask for in civilian life. But here, too, a Service doctor's time is greatly wasted by the vast amount of apparently quite unnecessary forms he has to fill in. Even a fully occupied medical officer often finds only a small fraction of his time taken up with really medical work. It is also anomalous that hospital staffs should release doctors for the Services and that Service patients should then be sent into civilian hospitals for treatment. Even if there is no doubt that at present the nation's health has not suffered from the call-up of doctors, there is a strong case for making the medical services far more flexible than at present; plans should be made for enabling doctors belonging to one Service to be available in time of need to help those in another Service and for enabling underemployed Service doctors to help civilian doctors. It cannot be assumed that the present immunity from epidemics will continue.

Danubian Grain

German policy has hitherto aimed at stabilising wheat prices in Danubian Europe at a level corresponding to the pre-war German level of RM. 18-19 a quintal. Prices have recently been fixed for the 1942 crop at the same level as for 1941, except in Roumania, where the price has been doubled. The prices fixed (per 100 kg. of wheat) are as follows. (The equivalents in RM. are at the official rate of exchange.)

WHEAT PRICES
(per 100 kg.)

	Hungary		Rumania		Croatia		Bulgaria	
	1941	1942	1941	1942	1941	1942	1941	1942
Local currency	30	30	1,100	2,200	420-450	420-450	620	786
Rm.	18.7	18.7	18.3	36.7	21-22.5	21-22.5	18.7	23.9

In Germany itself, however, the official market price of wheat is RM.21 per quintal. But in Hungary the price is kept below the German level; in Roumania it is higher, although the price has not risen at all in proportion to the 400 per cent rise which has taken place in the general price level. In Croatia the price is the same as in Germany; and there is also a supplement of 150 kuna (RM.7.5) per quintal for early delivery. As there is not likely to be much export of wheat from Croatia to Germany, the price has probably been fixed at a relatively high level to persuade peasants to sell. But, even at this price, no wheat is forthcoming; in the early summer, wheat was selling in the Zagreb black market at 140 kuna per kilogram, that is, at three times the fixed price. Maize prices have not yet been fixed for the 1942 harvest. Here comparison with Germany is unnecessary, as little maize is grown in the Reich itself. In Roumania, price control of maize has been removed, with the result that there has been an increase in speculation by German controlled export firms; the price has now risen from 900 lei a quintal (plus a delivery premium of 150 lei) to 4,000 lei, that is, prices have risen approximately by the amount of the general price increase, and if the wheat price was decontrolled, the price might be expected to rise to 4,000 lei or more. In Hungary the official price of maize is so far unchanged. It can be concluded that the policy of the price stop cannot be maintained in these countries if supplies of food are much below normal. The problem is likely to arise very acutely when maize prices for the 1942 crop are fixed. In all the Danubian countries, the peasants are determined to keep maize back as their last safeguard against starvation, and in order to maintain their cattle and pig production.

Burial and Town Planning

The findings of the Uthwatt Committee, which are discussed on page 352, give a special significance to an investigation of the Association for Planning and Regional

Reconstruction into matters relating to the disposal of the dead. The investigation was carried out by Mr C. A. Bransgrove, and its results were given in a lecture which the Association will eventually publish. At present, according to Mr Bransgrove, the number of private graves is rapidly increasing, and, to accommodate the half-million burials per annum which take place in this country, it is reasonable to estimate that 500 acres of ground a year are required for cemetery extension. Accurate figures of burial grounds owned by private companies and individuals, by churches and chapels, by societies and institutions, are not available, but it is estimated that 25,000 acres, nearly 40 square miles of some of the most valuable land in the country, are owned by municipal authorities for occupation by the dead. The 28 Municipal Burial Boards of Greater London have between them appropriated 2,500 acres for this purpose. To acquire the land is a difficult and costly problem for the two thousand odd burial authorities in this country, "over whose functions," Mr Bransgrove declared, "there is no central control, and for whose guidance statutory legislation is negligible. It is noteworthy that the Town and Country Planning Act of 1932, whilst providing land for various purposes, does not include cemeteries, and yet the disposal of the dead is essentially a town-planning problem. . . ." Mr Bransgrove strongly criticised the high cost of dying in Britain, and though the figures he gave—£30 for an average funeral with £15 as a minimum—are probably exaggerated, particularly for country towns and villages, the average cost is excessive, nor does it include the price of the burial ground. Mr Bransgrove dealt in detail with the organisation of burials in some Swiss municipalities, where state insurance covers the cost and private enterprise has been eliminated. This aspect of burial is, however, a matter for the Beveridge Committee rather than committees on the use of land. So far as the latter are concerned, it is clear that reconstruction can hardly ignore the burial factor in town-planning; its importance can to a certain extent be measured by comparing the 25,000 acres of burial grounds in the hands of municipal authorities with the fruit acreage in Kent—some 11,000 before the war—and the entire acreage of small fruit in England and Wales, which was some 55-60,000.

Shorter Notes

Considerable satisfaction will be felt at the answer given by the Parliamentary Secretary to the Board of Trade in the House of Commons last week on the methods of the Board's enforcement officers. None of them has been found guilty of using provocation and incitement to buy, and no evidence could be found to confirm the alleged incident in Devon, which Mr Harold Nicolson related in the *Spectator* and to which *The Economist* referred in a Note on September 5th (page 296).

The announcement made in the House of Lords last week that the Ministry of War Transport and the Ministry of Labour have appointed Sir John Forster to enquire into dock labour questions on the Merseyside will give general satisfaction. The allegations recently made in the *Times* were so serious, the evidence so controversial and so many departmental corns were being trodden on, that an independent inquiry seems the best way of getting at the facts. Sir John Forster, whose report on youths in coal-mining put forward constructive proposals for the solution of one difficult problem, seems eminently suitable for the job.

At the annual representative meeting of the British Medical Association, which was held last week, the Planning Commission's interim report, discussed in detail in *The Economist* of June 27th (page 888), was discussed. The plan's proposals for central and local administrative and advisory machinery, and for the unification of hospitals under a regional body were adopted, and the establishment of health centres was approved in principle.

Canadian casualties in the Dieppe raid are officially given as 3,350, of whom 40 officers and 130 other ranks are dead, 41 officers and 592 other ranks wounded and 130 officers and 2,417 other ranks missing.

AMERICAN SURVEY

Michigan Bus Ride

(From Our Washington Correspondent)

August 31st

"BAGGAGE first, please"—the bus driver takes it in piece by piece. An old leather gladstone, with one handle pulled off and the other ripping, that had gathered dust in the garret for the decade and more since the last boom; a bright new bargain suit-case, fabric with metal reinforcements at the corners, now in process of acquiring its first scratches; a carton which had earlier contained jars for preserving, its covers kept from flopping by a series of half-hitches of strong rope; a 5 and 10 cent store paper shopping bag stuffed with necessities for the baby. One by one, they are reached up from the hands of the crowd at the bus door. Reached up to the driver who is patient enough to answer the questions of the lady who thinks each stop must be the one where she gets off, firm enough to see that the best use is made of the last available inch of seating capacity—"Here, boys, you climb up on top of these satchels so's these two men can sit down"—and tough enough to quell the occasional drunk.

Tough enough, too, in the old days, to drive the big bus on a schedule that, stops and all, averaged well over 45 miles an hour. To-day's slow driving gets him down. When one passenger discovered that the time of arrival at a point seventy-five miles down the road was five minutes too late for the train he'd hoped to catch there, a gleam came to the driver's eye—"How'd you like to have me pick up about ten minutes so's you could make it?"

The manual prepared to introduce RAF trainees to the mysteries of the American way mentions the fact that people talk to each other on trains. They tell all, on buses.

The plump farm woman (size 44, printed cotton, non-shrinkable, priced 79 cents in the larger women section at Penney's) immediately settles the baby and begins on the details of the cherry crop. They say this year's pick'll reach 50 million pounds. And five cents a pound this year instead of three because the Government's buying. Terrible time getting pickers, and pay at 30 cents a lug when some years it's been as low as fifteen. One fella offered a bonus of 5 cents above that, if they stayed and kept at it until his whole orchard was finished. They say it's going to be worse to find anybody to pick next year—there's a meeting next Tuesday with the County Agent, the growers and a man from the employment service to plan what to do then. They're even talking about finding housing for them and seeing that they get around. Twenty miles down the line,

complete with carton, shopping bag and cheerful infant, she gets off.

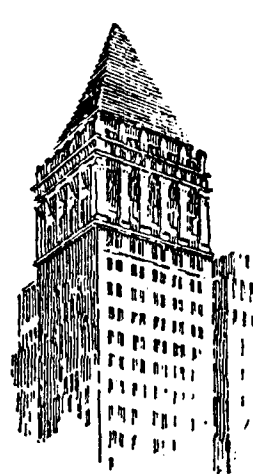
One reason why there'll be fewer hands on the farms next year turns up as the bus lurches to a stop. A work-worn woman is seeing off her youngest, two girls and a boy, bound for Detroit and the factories. "Take care of yourselves," she calls as she and the collic turn falteringly back to the farmhouse. Farther along, a grandmother gets on with a two-year-old child. Her son, in uniform, kisses the boy as he hands him over. "Raise him right, mom," he calls as the driver grinds into gear again.

The three youngsters are looking at the paper (it can be read in spite of the bounce). It carries a story about a kind judge and a housing problem: Boy meets girl at the factory where both work. They marry. There is no place to go. They go in with the boy's parents, in a flat also occupied by the rest of the children, two nephews and three cousins. It is the upstairs flat; the family also owns the downstairs, which lodges a comparable family. The boy is to be drafted. He wants to get possession of the downstairs for a little privacy before he leaves. The judge issues an eviction notice to let him have it.

Where does the evicted family go? In another column in the same paper, there is another housing story headlining the unfreezing of certain materials and beginning "Detroit private contractors will build 1,000 homes a month for rent to war workers, but the city's public housing programme is still in the planning stage." The youngsters skip that one, with its statistical details of surveys, inter-agency friction, insufficient materials, that leave a Farm Security Administration camp and the "Sojourner Truth" negro housing project, whose opening was attended by white pickets, as the two functioning publicly-sponsored additions to accommodations in the Detroit area. Meanwhile, local realtors have formed the Greater Detroit Property Owners and Tax Payers Association, and pledged a million dollar fund to fight the rent ceilings applied by the Office of Price Administration.

The next passengers to get on are two Roman Catholic nuns. The housing problem does not bother them. Neither does it bother the floozy on the front seat, in pink slacks and a pseudo-sailor souvenir cap cocked on her synthetic curls.

A middle-aged salesman is scanning the classified ads in the back of the paper. There are pages of them. When



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production of consumer durables stopped, national advertising of such items as cars, ice-boxes, electrical apparatus stopped too. But lots of people had old ones that weren't worn out. The papers saw a chance to build up a new kind of advertising, and the streams of people coming to town saw a chance to get, second-hand, some of the things they couldn't get new. With average weekly earnings in manufacturing in the Detroit area running at \$53.93 this year as compared with \$34.91 in 1940, the "white market" thus established flourishes: "Attention—don't wait—buy now—a 4-room outfit \$88.00. Beautiful furniture you will be proud to own." "Smart buyers all new stock living room specials \$39.50." "You can find close-outs, repossessed, unclaimed furniture, purchased from finance bank, easy terms, open evenings."

The salesman points to the adjacent help wanted columns. That's where the money's coming from, he comments. Look at the ads offering jobs to tool designers—a whole page of 'em. And see all the places wanting fountain girls—don't even have to have experience. Don't know what the hot-shops are going to do. They gotta have waitresses—they're swamped with folks waiting to get fed—all this new money around, and boy how they do eat. But soon as a restaurant hires a girl she goes to night school and learns to operate a punch machine. Here's a taxi company offering jobs to women drivers.

The bus cranes its neck to the last passenger in the end seat as the man at the wheel stops to hail and take on an enormous middle-aged husky in a greasy grey uniform with a big pistol strapped in a holder to his left side. Plant guard. The boy with the new suit-case is visibly impressed.

Journey's End

The bus begins to get in toward town—the approach to any of the automotive cities is an almost interminably gradual increase in the density of the eateries, hot-dogs to frozen-custard stands, the sub-divisions, the bowling alleys, the trailer camps, the beer parlours, where the quickest available oblivion may be obtained with the aid of "a boiler-maker and his helper" (a double whisky followed by a beer). "There's names from every state in the Union on them licences," the salesman remarks.

City limits. Folding of papers. Gathering and dropping and recovering of minor packages. Polishing faces. Head-ducking to see out the window, a routine matter of keeping track of stops for the plant guard, the grandmother with the baby, the nuns, and the salesman; a first glimpse of the sights of new worlds for the boy with the shiny suit-case, the floog, and the youngsters from the country, in town to speed war production and look out for themselves.

American Notes

Half-way Mark

The sixth quarterly Lend-Lease report, which President Roosevelt has just sent to Congress, puts current Lend-Lease aid to all countries at the rate of \$8,000 millions a year. The recent rapid expansion of American supplies to the United Nations is apparent from the fact that from March, 1941, to August, 1942, the value of Lend-Lease goods and services transferred was \$5,129 millions, and another \$1,360 millions of goods were in process of shipment. This, however, does not do justice to the industrial contribution of the United States. Purchases by America's allies in the same period equalled approximately \$5,800 millions, bringing the total of munitions and supplies provided to nearly \$11,000 millions. At present, about 35 per cent of the supplies provided under Lend-Lease go to Russia, another 35 per cent to Britain, 30 per cent to the Middle East, Australia, and other areas. President Roosevelt's message, which accompanied the report, dwelt less on the achievements of the United States than on the need for redoubling war production and further expanding deliveries under Lend-Lease. After paying a tribute to the "formidable amount of munitions and supplies" now being placed at the disposal of American forces in Britain, Australia, and the Middle East, he went on:

In relation to their available resources, Britain and Russia have up to now produced more weapons than we have, and they are continuing to produce to the limit in spite of the fact that Russia is a battlefield and Britain an offensive base. So far the United States has little more than passed the half-way mark towards its maximum possible war production. Not until we have reached the maximum—and we can do

this only by stripping our civilian economy to the bone—can our fighting men and those of our allies be assured of the vastly greater quantities required to turn the tide.

With the growth of the American army beyond the original goal of 4½ million men originally set for 1942, and the involvement of American forces on half a dozen fighting fronts, the question inevitably will arise whether American munitions and supplies should not be reserved for American use to a greater extent than at present. President Roosevelt's recognition of American indebtedness to her allies—both industrially and on the battlefronts—and his emphasis on the importance of reciprocal aid as a means of economising transport and supplies, means that whatever sacrifices are imposed on the United States by the needs of the United Nations, they will be cheerfully borne.

* * *

Report on Rubber

The report of the Baruch Committee, appointed last month by the President to investigate all aspects of the rubber position, has given the nation its marching orders. Mr Nelson has already appointed a Rubber Controller, Mr Martin Jeffers, to carry out the Committee's recommendations, and everywhere there is relief that at last the facts on rubber have been made clear, and a realistic policy laid down. The Committee found the existing situation "so dangerous" that

unless corrective measures are taken immediately, this country will face both a military and civilian collapse.

Declaring that there was no middle course between discomfort and defeat, the Committee submitted eight drastic recommendations to conserve existing supplies of tyres, which it declared were wearing away eight times faster than they could be replaced. They include the prohibition of speeds above 35 m.p.h.; nation-wide restrictions on mileage per car, now estimated at about 6,700 miles a year, to bring essential mileage down to 5,000 miles a year; compulsory periodical tyre inspection; national petrol rationing; and the release of more rubber to recap tyres for essential civilian driving. Particular attention is drawn to the failure to accept the Russian offer, made last February, to exchange information on synthetic rubber production, and tardiness in distributing to all American companies full information on the compounding of Buna. Urging that the synthetic programme be increased from 705,000 tons to 1,100,000 tons a year, the Committee submitted figures showing that total crude rubber supplies available between July 1, 1942, and January 1, 1944, would fall short of essential military requirements by 211,000 tons, without provision for civilian needs. On the vexed question of method, the Committee recommends increases in both petroleum base and grain base types; on that of administration, the reorganisation and consolidation of the Government agencies concerned with rubber. The report is a victory for those members of the Administration who have insisted on the necessity of increased restrictions on the home front, but because of the prestige of the Committee it is being accepted wholeheartedly. What now remains is the formidable administrative task of formulating and enforcing the most severe civilian sacrifices the United States has yet been called upon to shoulder.

* * *

India: America's Business

Mr Churchill's defence of British policy in India has had a poor reception in the American press. With the exception of the *New York Herald Tribune*, always a stalwart on the Indian question, the reactions have varied from profound criticism. P.M., the *New York Times* to *Telegram*, and the *Chicago Sun* all took exception to Mr Churchill's "lack of alarm" and argued that the situation was steadily deteriorating. Although a fair degree of point of view, as in Sir Stafford Cripps' article in the *New York Times*, and the "Fifty Facts On India" produced by the British Information Service, there unquestionably is deadlock than there was at the beginning of the campaign of civil disobedience. Developments in India have consistently commanded a greater amount of attention than is determined how great an influence the press debate has on

public opinion as a whole, or, indeed, how much interest the average American feels in the Indian question. Judging from the newspapers alone, however, there is a strong feeling that India is "America's business" and that negotiations leading to a compromise should be reopened as soon as possible. Charges like those of Louis Fischer, who contends that the British Government is carrying on a "smear Gandhi" campaign and that violence is much greater than is widely realised, and Senator Reynolds' demand that India be given her freedom, have brought rebukes from some sections of the press. Nevertheless, details of the repressive action taken, and prophecies of growing revolutionary violence, have stimulated the uneasy feeling in America that British policy in India is a negation of the Atlantic Charter and the Four Freedoms. There have been persistent reports that Washington regards the situation with concern, and would not be averse to the role of mediator if the good offices of the United States were requested. This is a more controversial question, and some support is to be found for the proposition that American interference would hamper the war effort. The weight of publicity, however, and the pull of sympathy and apparent self-interest appear to lie in favour of intervention by America, China, and Russia and the working out of a United Nations guarantee to India.

* * *

Powers for the President

Congress has declined to make an issue of the President's ultimatum, and already Bills have been introduced both in the Senate and the House of Representatives giving President Roosevelt authority to stabilise the cost of living. The details of these Bills vary somewhat. That introduced in the Senate by Senator Wagner directs Mr Roosevelt to stabilise prices, wages, and other factors affecting the cost of living at the August 15th level, whereas the House Bill mentions no date, but simply authorises the President to stabilise salaries and wages so as to maintain a "fair and equitable relation" between them and farm prices. The farm price provisions are the heart of the matter. Both Bills provide that farm prices should not be fixed below parity or the highest prices prevailing in 1942, whichever is the higher. The House version goes further, however, in requiring the creation of "floors" under farm prices at parity. These are to be maintained by crop loans

and purchases. It was the President's proposal that farm price ceilings should be set at parity or recent prevailing prices, whichever was the higher, and presumably he felt that it would be useless to ask for more discretion. Farm income is to be frozen at its present swollen level. But if the House provisions concerning a "floor" under farm prices become law, this will provide an additional subsidy to certain farm groups and leave little scope for a flexible price policy designed to direct production into crops most needed for the war effort. The substantial identity of the Bills with the President's proposals should not be taken to mean that his victory is assured. Their present form is due to Administration draftsmanship and the real debate is still to come. In addition to smoothing out the differences between the House and Senate Bills, there is almost certain to be an attempt to write into the Bill restrictions on wage increases. The prospects for a real programme of stabilisation are much brighter, however, than they have appeared in recent months.

* * *

Shorter Notes

Further information suggests that the interpretation of their resignations in a note entitled "Alibi's End" was not entirely fair to the former heads of WPB's Iron and Steel Division. Their resignations followed the unauthorised publication of details of a highly critical study of the branch by Mr Libbey, a WPB consultant. Mr Nelson has disavowed the report and ordered Mr Libbey to be discharged.

Despite the objections of Mr Ford, the War Production Board has finally authorised the construction at Willow Run of housing units for 15,000 employees.

The defeat at the primaries of Governor Talmadge of Georgia gives cause for general satisfaction. Notorious as an upholder of "white supremacy," he tried to base his campaign on the issue of forbidding the use of Georgia schools to negroes training for war industry. In other respects his record is equally bad; it was not long ago that he was hung in effigy at the University of Georgia for his attempts to interfere with educational policy. His victorious opponent, Ellis Arnall, at present state attorney general, is a supporter of President Roosevelt.

THE WORLD OVERSEAS

Australia's War Effort

(By a Correspondent)

September 9th

IN the second half of 1941, Australia's war effort entered that stage whence further progress is incompatible with the continuance of normal civilian ways of life. The sudden threat of Japan, however, has not only intensified the need to accelerate the country's war effort still further, it has also helped to remove many of those obstacles—political, economic and psychological—to the adaptation of Australia's everyday life to the necessities of war. The extent to which things have changed recently in Australia can be grasped by a comparison of the budgets for 1941-42 and for 1942-43. The 1941-42 budget, which was introduced by Mr Curtin's Government in October last year, provided for an annual war expenditure of £A221 millions; the actual expenditure during the financial year surpassed this estimate by £98 millions, and the 1942-43 budget, which has now been introduced, but which may well be amended before very long, provides for an annual expenditure of £A440 millions.

A similar picture is revealed by figures of the mobilisation of man-power. Some 300,000 men and 50,000 women have been transferred to war activities between January and August, 1942—far more than was originally expected; 500,000 factory hands are working for direct military re-

quirements in a country where the total number of factory employees was well below 600,000 before the outbreak of war. Another 150,000 men and 80,000 women are to be mobilised before the end of this year.

The Government has sometimes been attributed with a tendency to use compulsory measures as sparingly as possible and to rely mostly on voluntary efforts. It has, however, used its powers fairly extensively for the military and industrial mobilisation of men, and it will conscribe women as well if an insufficient number of volunteers should come forward in the near future; but the tendency to refrain from compulsion is still discernible, for instance, in its financial policy and in the mobilisation of small incomes. The gap between estimated expenditure and estimated revenue in 1942-43 will probably be as high as £A300 millions, the bulk of which will have to be raised, in the words of Mr. Curtin, "by the sacrifice of non-austerity things" on the part of the Australian population; the new austerity campaign, which aims at reducing normal living standards by one-third, is therefore considered by the Australian Prime Minister as "the most important phase of the war, the greatest and most stirring phase of the war."

The standard of living of the Australian population was actually considerably raised during the earlier part of the

war; and, in the first few months of the present year, the volume of retail sales has apparently again been on the increase, owing largely to the general uncertainty about future supplies and to hoarding. In particular, the premature announcement of the forthcoming clothing and footwear rationing led to an unprecedented rush on retail shops in May this year. Nevertheless, such shopping activities have only been possible as long as there have been old stocks at the retailers' disposal; the volume of sales is bound to decrease with the decreasing supply of consumption goods, though a better organisation of distribution, including rationing, and a high standard of discipline on the part of the public would help to prevent undue individual hardships. Such goods as cosmetics, razor blades and many household articles are hard to obtain throughout Australia; cigarettes are scarce; tea has been rationed at 1 oz. per head per week; the production of beer and liquor has been reduced by one-third and may well be reduced again. A great many import restrictions have been introduced during recent months, and the number of building permits for new dwellings in the six state capitals, which was 1,502 in an average month of 1941, had been reduced to 185 by February, 1942. The Australian Federal Minister for War Organisation, in a review of his department's activities, said *inter alia* that the number of varieties of chocolates and sweets is to be cut to 10 per cent or less, and that the boot and shoe manufacturers would devote their capacity to a minimum number of utility types for the Services and essential civilian needs. A special problem is set for the Australian consumption goods industries by the necessity to provide essential civilian goods which hitherto were not manufactured in sufficient quantities in the Commonwealth; in such cases the Minister has to re-direct the textile and similar industries rather than to restrict them. The rationing of textiles and footwear will, it has been estimated, almost halve the previous consumption. Cinemas, sports and race meetings, which used to play a big part in Australian public life, will all be severely affected by the Government's new austerity orders.

The reluctance of the Government to ration foodstuffs (other than tea) is understandable in a country with so large an agricultural output. The double necessity of avoiding waste and of saving part of the rural manpower for other

purposes may, however, make the Government reconsider its attitude. The need to find food for the growing number of American soldiers has, moreover, put a special strain on certain sections of food production; it is largely with a view to the American forces that food manufacture has been classified as a Grade I industry which must at least maintain its former output. Nor is it the intention of the Government to stop completely the export of agricultural products; there are plans to provide plant, at a cost of £A200,000, for the dehydration of mutton with a view to sending large quantities to Britain in comparatively little shipping space. It is difficult to see how all these activities could be carried through, even in a country as rich in food production as Australia, without enforcing austerity on the dinner-table of the average citizen.

Among the other obstacles to a united Australian war effort, the competition between Federal and State Governments in the field of taxation has been eliminated and a unified economic policy has been started. The present Government has now reaffirmed its resolution not to allow the Australian States to impede its plans for either the war effort or post-war reconstruction; and the Australian Press has so far largely supported the Cabinet in its constitutional fight. Still more important, there have been no serious disturbances of the industrial peace since the Japanese threat became a reality.

The year 1942 is for Australia what 1940 was for Britain. The country has taken a decisive step in the direction of a 100 per cent war effort. The one great difference between Britain and Australia is that the latter has still not banned party strife from its political life, although, under the impact of acute danger, this failure has not so far produced a visible impediment to the national war effort.

Agricultural Reconstruction in Eire

[FROM OUR DUBLIN CORRESPONDENT]

September 1st.

THE problems that will arise in Irish agriculture after the war are already engaging attention. A committee of experts in farming science and practice has been set up by the Government to consider and report on post-war agriculture. The personnel of this committee is calculated to inspire confidence that it will produce a constructive report containing the main features of post-war policy. The translation of policy into practice depends upon the existence of local organisations of farmers. The work of the Department of Agriculture is necessarily centralised, and it is a matter of vital importance that its precepts should be brought to the door of every farmer in the country. The organisation known as *Muintir na Tire* (the People of the Land) can play an extremely useful part in the work of agricultural reconstruction. The question of the extent to which the parish councils could be used for the purpose of agricultural improvement was discussed in an interesting lecture by Mr M. Murphy, Lecturer in Dairy Accountancy, University College, Cork, entitled *The Parish as the Unit of Economic Planning*.

The lecturer emphasised the importance of external influences on the internal economic life of every locality.

The general form and direction of agricultural planning for the future will have to be conditioned by factors far removed from the farmer; in the first instance by such national plans as may be evolved for maximising non-agricultural incomes, for solving the problem of urban unemployment and for maintaining and if possible increasing our population, and, in the second instance, by the scope and vagaries of an export market which itself will be planned by an external authority.

Subject to these limitations, a local organisation can help to increase the well-being of farmers by influencing all or any of the four factors on which that welfare depends. These four factors are, first, the total farm income, including the value of the portion of farm output used for domestic consumption; secondly, farm expenses or costs of production; thirdly, household or cost of living expenses; and, fourthly, the availability of supplementary non-agricultural employment. The first of these factors—the total farm income—is determined by the physical volume of production and the price of farm products. Insofar as what the farmer produces is sold in an export market, its price is outside the control of any purely local organisation. From the point of view of

the parish, the rest of Eire as well as countries abroad constitutes an export market. Mr Murphy properly concluded that the price of farm products is, therefore, incapable of being raised by the parish organisations. He expressed the opinion that Irish farmers will have to sell in a buyers' market in the period after the war.

When the physical volume of production is being planned, regard will have to be paid to British policy in relation to agricultural imports. Great Britain may be prepared to take less Irish agricultural produce than hitherto or she may be prepared to take more. In either case, there will have to be a conscious national readjustment of our agricultural economy. If a contraction of exports is forced on Ireland, the problems of adjustment will be very painful. The rôle of the parish organisations in these circumstances will be "largely confined to the somewhat negative but very important work of spreading general hardship as equitably as possible." If British import policy calls for an expansion of Irish agricultural production, the small local organisations can assist in three ways. First, they can help in a national stock-taking of our capacity for production along different lines. A soil survey is an essential pre-requisite to a planned expansion of output. Secondly, they can play a useful part in the programme of education that will be necessary. A great increase in the number of agricultural instructors is required. The results of the most recent research should be brought to the notice of every farmer. Demonstration farms should be available in every part of the country. In all these activities, parish organisations could greatly assist the central Government agencies. They could also help to increase the supply of skilled labour by providing educational courses suitable for labourers and by acting as clearing houses or exchanges for labour in the busy season. Thirdly, the parish organisations could serve as agencies for the distribution of whatever credits will be rendered available. For this purpose, they possess many of the advantages of the agricultural credit co-operatives which have proved so useful in other countries. Mr Murphy is justified in concluding that

in relation to export markets, parish organizations can play a very important part either on their own initiative or as organs through which comprehensive national planning may reach down to the widely-dispersed individual members of the farming community.

The Home Market

The next question to be considered is the possibility of influencing conditions in the Irish home market. Here, again, prices are outside the control of local organisations. The conflict of interest between town and country and between different classes of agricultural producers prevents any local fixation of prices. Parish organisations can, however, help to expand the physical volume of output by co-operating in attempts to maximise the urban demands for rural products of all kinds. Another method of raising farm standards of living is by substituting produce grown on the farm for food purchased in shops. An increased production of home-grown food releases income which can be spent on urban products and thus maintain urban employment. Farm labourers could also increase the amount of food grown on their plots, and could, in many cases, grow a saleable surplus. These are matters which clearly lie within the scope of parish organisations. The provision of supplementary non-agricultural employment usually involves the planning of public works in areas larger than the parish.

Mr Murphy concluded his valuable and constructive lecture by stressing some of the limitations of the parish organisations in the work of agricultural reconstruction. The parish is too small a unit for many purposes, and joint action by several single parishes may be necessary in some cases. Moreover, the existing co-operative societies must be retained even when the localities which they serve are in no way related to the parochial frontiers. Agricultural organisation must take place within the larger scheme of social welfare, which is the primary object of *Muintir na Tire*. When all these limitations are stressed, there remains a vast field for local organisation of agricultural improvement in Ireland. In the early days of the Irish agricultural revival, Sir Horace Plunkett envisaged a dual system of central and local organisation. The co-operative movement never attained the success it deserved, and Irish agricultural organisation tended to become unduly centralised. In the difficult years that lie ahead, local organisation will be necessary as an agency of translating the Government's policy into practice, and the foundation and spread of the parish council movement is a hopeful sign that the necessary machinery will be available when it is required.



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By J. R. Hicks

(Shortly)

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Oxford University Press

German Europe

Marriages and Births

NAZI population policy seemed for a time to have provided a successful solution for the declining German birth rate. In the Old Reich, the number of births per 1,000 inhabitants had increased from 14.7 in 1933 to 20.0 in 1940. The policy of marriage loans was a stimulant, and the number of marriages increased considerably during 1933 and 1934. From 1935 to 1938, the marriage rate, as well as the birth rate, remained almost stable. The stimulant of marriage loans, and the threat of very heavy punishment for illegal abortion, had run their course. It must be said that, even without the Nazi policy, the number of marriages would have increased during 1933 and 1934, because of the large number of persons reaching the marriage age.

At the beginning of the war, the Nazis made a tremendous effort to increase marriages for the purpose of countering a possible decline in the birth rate during the war. The number of marriages in the Old Reich during the fourth quarter of 1938 and the first quarter of 1939 amounted to 308,430. During the fourth quarter of 1939 and the first quarter of 1940 the number of marriages amounted to 470,170. The impact of the beginning of war in 1914 was quite different; in 1914 the number of marriages fell by 10.3 per cent compared with 1913, and in 1915 by 45.8 per cent.

The policy of marriage loans and the special facilities for war marriages caused the upward population trend in the years 1939 to 1941. Short military campaigns and great hopes of an early victory were also favourable factors. The latest official figures give a very promising picture, until the war against the Soviet Union began, and the prospect of a long war became apparent. The number of marriages, live births, and civilian deaths were as follows, in 1,000 relating to Greater Germany, i.e., Old Reich, Austria and Sudetenland:—

12 MONTHS '000s 1938=100					
	Marriages	Live Births	Deaths		
1938	770.2	1,508.4	—	—	949.3
1939	944.4	1,633.7	108.3	—	1,099.3
1940	731.4	1,644.8	109.0	—	1,045.6
1941	589.6	1,528.3	101.3	—	995.6
JANUARY/APRIL					
1939	245.4	545.3	100.0	—	380.7
1940	305.5	613.9	112.5	—	425.3
1941	227.6	464.9	85.1	—	386.9
1942	173.3	423.1	77.6	—	363.8

The number of births in 1940 was slightly higher than in 1939, and the number of births in 1941 was still above 1938, the last full year of peace. In contrast, the number of marriages fell heavily in 1940. The full significance of the development is obvious if the years 1913 to 1917 and the years 1938 to 1941 are compared:—

	Number of Births in 1913=100		Number of Births in 1938=100
1914	98.9	1939	108.3
1915	75.2	1940	109.0
1916	56.0	1941	101.3
1917	49.6		

This comparison is suggestive. If the war had ended in 1941 with a German success, no serious decrease in the number of births would have happened.

The figures relating to the first four months of each of the years 1939 to 1942 show equally the abrupt change caused by the war against the Soviet Union. The decline in the number of marriages is even more pronounced than the fall in the number of births. Even the most liberal marriage allowances have not prevented a further decrease in the number of marriages. At present, applications for marriage loans are very frequently made, but after the loan has been granted, the marriage is either postponed or cancelled. This may frequently be due to the death of a soldier who had applied for the loan. But the authorities have prolonged to three months the period during which the loan can be taken up after it has been granted. This can only mean that people who intended to marry have been discouraged, probably because of the bad situation in Germany. There is hardly any chance of finding a flat

or of furnishing one, and it is equally difficult to find furnished rooms. The official figures and the deterioration of living conditions in Germany make it clear without doubt that, during 1942, the downward trend in the number of marriages and births cannot be halted. If the war should continue during 1943 on the same tremendous scale, it can safely be predicted that the experience of 1917, when the number of births fell to roughly 50 per cent of 1913, will be repeated in 1943.

Accident Insurance.—Some time ago, compulsory accident insurance was extended to all occupations, including domestic service, where the accident risk is comparatively small. This extension was obviously part of the policy of mopping up purchasing power. The insurance industry has now suggested people's accident insurance, covering accidents in traffic, sports, at home, and so on, in addition to the present compulsory accident insurance.

Savings Deposits.—The president of the German savings banks organisation stated that, during the first six months of 1942, new savings deposits again increased by 40 to 50 per cent. It may be assumed that the greater part of this increase was caused by the system of "iron" savings for workers and small employers. The new wave of concentration which has closed down a considerable number of small shops may have forced small business men to deposit their working capital with savings banks. The president made it clear that the current account of the savings banks, which are traditionally the bankers of the independent artisan and the small shopkeeper, are no longer of any importance in the total deposits of the savings banks. The new policy of industrial self-financing, instead of advance payments, will hardly affect the savings banks.

Co-operative Aid.—The continued concentration of industries made it necessary to extend the co-operative aid system for closed down industries to all sections of Germany's economy. This system has now been extended to the incorporated Polish provinces, which indicates that all plans for establishing civilian industries in these provinces have been abandoned. At the same time, the economic administration of the Protectorate Bohemia and Moravia has introduced co-operative aid after the German model. The new central economic federations have been empowered to accumulate the necessary financial funds by imposing a levy. Industrial concentration is also the main feature in France, and the new law for the rationalisation of French industry embodies a system of co-operative aid after the German model.

Eastern Workers.—Workers from the occupied Russian provinces, but not from the Baltic states, have been named "east workers." According to the German press, these workers arrive daily in considerable numbers in Germany. The total number of "east workers" now employed in Germany is variously estimated from 500,000 to one million, not including Russian prisoners of war. Labour dictator Sauckel made several journeys to the Ukraine for the purpose of speeding up the transfer of workers to Germany. It seems that the greater part of these workers are employed in German agriculture. In spite of the great numbers, no wage regulations have been made yet, which means that probably no wages have been paid at all.

Concentration in France.—Since the issue of the rationalisation law last December, roughly 4,000 factories of all sizes, employing 50,000 workers, have been closed down. These workers were distributed among other factories or forced to go to Germany. The continued shortage of fuel and raw materials, as well as German pressure, have required a new programme of concentration which will affect another 4,000 factories. The official announcement says that all factories not working for essential national interests will be closed down. All factories manufacturing machine tools and machinery used for civilian production will be closed, particularly those manufacturing machinery for the textile and paper industries.

THE BUSINESS WORLD

Stabilised Profits

TWO articles published in *The Economist* of May 23rd and June 6th, respectively, introduced some radical improvements in the computations of industrial profits which have been a feature of these pages for a period of over thirty years. From the beginning of this year an attempt has been made to discover more closely the truth about profits, re-interpreting that misused word to mean profits as the economist would have them be, and not merely profits as the accountant, in his wisdom, evaluates them. The main feature of the change (for details of which readers are referred to a statement on page 799 of our issue of June 6th) is to re-cast the figures given in published accounts on a consistent basis before the deduction of any charge for standard income tax. This article adds a further instalment to the story given in those two articles which has been derived from company results published in the second quarter of the year.

During this period, we received 524 company reports for which, in each case, comparable figures extending over three previous years are available. The adjustment of published profits figures of these companies to a gross (i.e., before tax) basis for the latest four years provides the raw material for Table I. On a gross basis, profits in the latest

TABLE I
524 SECOND QUARTER COMPANIES' GROSS PROFITS
NEW BASIS (IN £'000)
(All figures gross)

	(All figures gross)							
	Year 3 Preceding (1939)		Year 2 Preceding (1940)		Year 1 Preceding (1941)		Latest Year (1942)	
All interest	6,508	7.9	6,606	8.1	6,543	8.2	6,246	7.7
Preference divs.	15,385	18.4	15,539	18.9	15,643	19.7	15,870	19.7
Equity divs.	48,971	59.3	43,739	53.4	41,506	52.2	40,607	50.4
Sub-total	70,864	85.6	65,884	80.4	63,692	80.1	62,723	77.8
Free reserves and carry forward	10,931	13.2	14,598	17.9	13,946	17.6	16,500	20.4
Other savings*	1,146	1.2	1,346	1.7	1,854	2.3	1,382	1.8
Profits before tax, after E.P.T.	82,941	100	81,828	100	79,492	100	80,605	100
Year 3 preceding (1939)	100		98.63		95.9		97.2	
Rate of tax applied in grossing up....	5/6		7/6		10/-		10/-	

* Redemption funds, deferred repairs, etc., gross.

year have shown a slight increase compared with the preceding year—£80,605,000 against £79,492,000. An increase of this order, however, is of little or no significance. Compared with the results of these same companies three years earlier—that is to say roughly the accounts published in the spring and early summer of 1939—the latest figures show a fall of 2.8 per cent. In the meantime, the standard rate of tax which is deducted from these profits (whether reserved or paid out in dividends) has increased from 5s. 6d. to 10s. in the £. Nor has the latest minor increase in gross profits meant any increase in gross equity dividends. These have absorbed £40.6 millions for the companies concerned in the latest year compared with nearly £49 millions three years ago, and the net amount distributed, as we have seen, was further drastically reduced by increased taxation. In fact, the very modest increase in estimated gross profits has been more than absorbed by a £2 millions increase in reserve allocations between the two years.

The new basis figures thus continue to display conclusive evidence of the close control of gross profits through the mechanism of EPT; there is no sign of the slightest degree of profits inflation. That fact, of course, is no guarantee that all inflationary elements in the nexus of costs

and profits are being kept under similar control. Indeed, there is a real risk that the complete control of profits may blind the onlooker to the continuing rise in the level of costs. It is the wage-earner and certain entrepreneurs in favourable positions who stand to gain from this rise—not the equity shareholder in industrial concerns. EPT, in short, is no substitute for good cost accounting, control of contract prices and a wages policy.

In the second table, the new gross figures have been allocated to the financial years in which they were earned

TABLE II
GROSS PROFITS, BEFORE TAX, BY FINANCIAL YEARS
(In £'000)

Accounting Date Ending in	No. of Cos.	1938	1939	1940	1941	1942
1st Quarter	556 547 188	66,396 ...	62,080 ...	64,963 63,972	58,103 30,113	...
2nd Quarter	355 343 25	38,055 ...	38,365 ...	36,464 36,168	37,606 2,364	...
3rd Quarter	357 342	42,832 ...	40,837 ...	42,574 41,588	38,413 ...	...
4th Quarter	924 569	154,700 ...	160,974 ...	152,218 108,196	106,867 ...	...
Whole Year	2,192 1,801 213*	301,983 ...	302,259 ...	298,219 249,924	240,889 32,477	...

* Incomplete results, for first two quarters.

† Incomplete.

(commencing with 1938) on the lines of the first table in the article of June 6th. Owing to the lag between the earning of profits and their appearance in company reports, this table must be regarded as a moving record in which the

THE ECONOMIST NEW PROFITS SERIES.

The notes below may assist readers to follow the improvements in our profits figures.

The new figures are presented throughout on a gross basis and represent the closest estimate that can be made of industrial profits, before deducting any charge for standard income tax.

The gross profits are shown (a) under periods in which they were published and (b) under the periods in which they were earned.

(a) A four-year comparison of gross profits of companies whose accounts were published in the second quarter of this year is given in Table I.

(b) A five-year linked comparison of gross profits arranged by accounting periods is given in Table II, and this is expressed as a quarterly geometric index number of gross profits (four quarters 1938 = 100) in Table III.

The *Economist* index of net reported profits (i.e., net profits taken from the companies' accounts without adjustment for taxation) has been converted from an arithmetic to a geometric basis (July, 1935, to June, 1936 = 100) and is given in Table IV.

It is intended at a later stage to transpose the reported profits given in Tables V to VII to a gross basis.

latest two years are always incomplete. The latest figures include rather more companies than those published on June 6th, but the story they tell is closely similar. This is evident from Table III, which presents the new index of gross profits, based on accounting periods and not on dates of publication (1938=100). The index for 1939 and 1940 has been re-worked on the larger sample of companies included in Table II, but the resulting changes in the index figures are surprisingly small. In the light of this experiment, it would seem reasonable in future to treat only the last four quarters of the index as provisional and to retain earlier figures, even though some small amount of additional data may have been received which would modify them slightly.

The latest quotable index figure is for earnings in financial years ended during the fourth quarter of 1941. As a percentage of 1938 earnings, the 1941 figures ranged between 96 and 99, though these figures are subject to amendment at this stage. It is unlikely, however, that the adjustments will be significant, since the 1941 figures are based on as many as 1,801 companies out of the total of 2,192 for 1938 and 1939.

All the figures and index numbers so far considered in this article are based on the new gross profits computations. Tables IV to VII which follow are based largely on reported profits. The first gives *The Economist* index of net reported profits in its new geometric form (July, 1935-June, 1936 = 100). Owing to the mixed nature of reported profits figures, part of which are shown gross and part net, this index shows a steeper fall than the gross profits index in Table III. During the past three years, this index has fallen by one quarter; it now stands at 93.5, compared with 125.2 for the four quarters to June, 1939. The reported profits figures of the second quarter companies are given in the first two columns of Table VI; in total (so far as the accounts reveal)

they were very slightly higher at £104,757,548, an increase of £450,000 during the year. Net reported profits, on the other hand, were £24 millions lower at £50.7 millions.

The distribution percentages of Table V are derived from the estimate of gross profits given in the third column of Table VI. There is a rather regular distribution "form" for the different quarters of the year, and it is fairer to compare the second quarter this year, not with its predecessor, but with the second quarter of 1941. Out of a smaller total of distributable profits, equity shareholders have had to content themselves with dividends representing 63.4 per cent of the whole in the latest quarter, compared with 65.9 per cent for the corresponding quarter of 1941. The earnings rate on equity capital has, meantime, fallen from 10.6 to 9.9 per cent, and the gross dividend rate from 9 per cent to 8.3 per cent. These distribution figures may be compared with the percentage division of gross profits between dividends and reserves shown in Table I. The figures differ—they are not on the same basis—but the story they tell is substantially the same one of reduced gross profits distributed with greater parsimony.

The final table sets out the reported total and net profits of these 526 according to their industrial grouping. Only one feature of this table is of particular interest, and that is not entirely new: the groups which have fared conspicuously well have again been the consumption goods groups. Brewery and store net profits have increased; moreover, reports during the current quarter suggest that the increase in these groups (and in cinema earnings) continues impressively. Such results contrast sharply with the so-called war industries—coal and steel, motors and aviation. They are the symptom, at the end of the chain of consumption, of the inflation of costs to which earlier reference has been made. They are an index of failure in the "battle of the gap," to which attention should be urgently directed.

TABLE III

INDEX OF GROSS PROFITS, BY ACCOUNTING PERIODS
(Four Quarters ended December, 1938=100)

	Accounting Periods ended in			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939	98.33	98.51	97.36	98.35
1940	101.20	99.68	102.00	99.49
1941	96.92*	99.17*	96.20*	97.27*

† Figures re-worked on additional companies reporting last quarter.
* Provisional.

TABLE IV

Economist INDEX OF NET REPORTED PROFITS, BY PUBLICATION DATE

(Revised Geometric Basis)

Four Quarters ended June, 1936=100

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939	129.3	125.2	124.4	121.6
1940	120.7	120.8	116.8	115.1
1941	112.9	104.7	101.0	98.6
1942	96.5*	93.5	...	...

* Revised figure.

TABLE V

DISTRIBUTION OF PROFITS AND RETURN ON CAPITAL

	Proportion of Adjusted Net Profits			Rate of Payment (Gross)			
	Prof. Div.	Ord. Div.	To Free Reserves	Deh.	Prof.	Earned on Ord.	Paid Ord.
1941	%	%	%	%	%	%	%
1st Quarter	17.7	73.1	9.2	4.5	6.1	16.3	14.5
2nd Quarter	23.4	65.9	10.7	4.6	6.8	10.6	9.0
3rd Quarter	25.7	65.0	9.3	4.5	6.9	12.1	10.6
4th Quarter	29.5	54.1	16.4	4.6	6.4	10.9	8.4
Whole Year	23.4	66.5	11.1	4.5	6.6	12.4	10.6
1942							
1st Quarter	19.9	71.3	8.8	4.2	6.9	17.0	15.1
2nd Quarter	23.8	63.4	12.8	4.3	5.9	9.9	8.3

TABLE VI

PROFITS OF SECOND QUARTER COMPANIES—1942

526 Companies	Previous Financial Year	Latest Financial Year	Gross Profits derived from Net Profits§
Total Profits*	104,307,294	104,757,548	£ ...
Depreciation	8,479,830	8,479,830	...
Debt Interest	51,329,350	5,360,474	5,945,044
Other Charges†	...	40,188,714	...
Net Profits	52,977,944	50,732,530	65,971,575
Preference Dividends	...	12,333,519	15,712,290
Ordinary Dividends	...	29,974,704	41,834,978
Added to Free Reserves	...	8,424,307	8,424,307

* After Depreciation where not separately stated. † Including Taxation.
§ i.e., After adding back taxation deducted in striking net profits.

TABLE VII

PROFITS BY INDUSTRIAL GROUPS—QTR. ENDED JUNE 30, 1942

Group	No. of Cos.	Total Profits		Net Profits	
		Previous Year	Latest Year	Previous Year	Latest Year
Breweries and Distilleries	18	3,569,011	4,524,020	2,557,335	2,649,489
Electric Lighting and Power	2	1,031,231	1,103,883	418,763	375,964
Financial Land & Investment	37	5,834,639	5,810,661	3,051,074	2,817,064
Gas	3	801,000	642,224	23,607	115,046
Hotels and Restaurants	9	1,481,501	1,468,868	1,028,631	1,076,596
Coal, Iron and Steel	48	12,231,359	12,127,962	5,771,919	5,360,742
Motor Cycle and Aviation	13	2,976,242	2,494,583	1,392,350	980,328
Oil	3	2,806,653	2,662,369	2,595,074	2,458,830
Rubber	43	1,768,511	1,663,066	774,661	607,064
Shipping	11	2,582,231	2,525,608	973,778	897,213
Shops and Stores	31	6,333,869	5,665,369	1,923,753	2,199,932
Tea	11	409,594	502,207	171,346	177,683
Telegraphs and Telephones	5	6,449,023	7,812,947	2,926,018	3,475,747
Textiles	24	5,549,503	4,997,808	3,133,398	2,891,547
Tramway and Omnibus	10	4,164,191	4,830,944	1,382,967	1,283,235
Trusts	58	5,386,149	5,219,966	2,647,753	2,369,388
Waterworks	4	603,493	568,844	229,825	217,801
Building Materials	34	5,228,521	5,363,949	2,463,072	2,292,654
Food, Confectionery & Drink	22	4,437,190	3,983,599	2,099,091	1,816,799
Electrical Manufacturing	12	3,779,775	3,758,187	2,199,939	2,103,627
Newspapers, Printing & Pub.	14	3,971,026	4,493,812	1,805,210	1,972,960
Wine and Spirits	5	1,311,948	1,395,294	1,205,969	1,216,200
Warehousing and Trading	2	51,040	10,603	32,433	3,702
Other Companies	107	21,549,594	21,130,775	12,170,002	11,372,919
Total	526	104,307,294	104,757,548	52,977,944	50,732,530

Finance and Banking

Demand for December Bills

The feature of the money and discount markets continues to be the keenness of the demand for the three months' bills now being issued. These are, of course, December maturities, and it is the glamour still attaching to them which, no doubt, induces the market to bid for them at a price which leaves a barely perceptible margin of profit. The syndicate's tender price for the December bills remains at £99 15s., and at this figure it obtained a 40 per cent allotment at last week's tenders. With the advent of October the currency of the Treasury bills to be tendered for will increase by one day, namely from 91 to 92, and this, together with the difference in the standing of a January as compared with a December maturity, will no doubt induce the market to lower its tender price to £99 14s. 11d. The keen competition for the December bills is compelling the official tenderers, whose requirements must be satisfied, to bid £99 15s. 1d. for the bills, at which figure a loss would be incurred either on running the bills with clearing bank money or in reselling to the banks at their minimum rate of 1 per cent. To these quarters, however, the rate earned on Treasury bills is largely immaterial. It does not necessarily have to be related to the money rate or to the clearing banks' buying rate for bills. Although the banks were called upon to pay £45 millions in TDR's this week, as compared with nominal current maturities of £20 millions, there has been no evidence of shortage of credit in the money market. On each day of the week one or other of the banks has been a good buyer of Treasury bills, and there has always been about enough money to meet the requirements of the market. The unevenness of conditions in the money market is matched by the latest Bank return. This shows a position which compared with the previous return is more static than any revealed since the beginning of the war. The circulation is down by £385,000, bankers' deposits by £1,854,000, public deposits by £277,000 and Government securities by £721,000. To achieve this stability at a time when Government income and expenditure are running at the exceptional levels now current, is a token of the efficacy of the authorities' technique in insulating the credit position from the potential disturbances that surround it.

The Strength of the Peso

The strength of the Argentine peso continues to be the feature of what remains of the international free foreign exchange market. In terms of US dollars the free rate has recently appreciated to 419 pesos to \$100. This tendency is mainly due to the reduction of imports, the volume of which has fallen from 4,330,000 metric tons for the first half of 1940 to 2,586,000 tons for the first half of this year. The shift of the balance of international payments in favour of Argentina is reflected in the steady strengthening of the central bank's gold and foreign exchange reserve and in the substantial net imports of bullion. The reserve on July 31 last amounted to 1,682,496,624 pesos, compared with 1,541,873,952 pesos at the beginning of the year. There were no exports of bullion or specie from Argentina during the first half of the year, whereas imports totalled 6,565,618 pesos, compared with only 301,719 pesos in the corresponding period of 1941. A substantial part of the rise in the foreign exchange holding of the central bank probably reflects the accumulation of sterling in Argentine special accounts. The shortage of imported products in Argentina is becoming acute. The position taken up by the country in relation to the war is not calculated to give it a high priority ranking in its claims for imports from the United Nations. To a small extent this has caused a shift of imports from the United States and the United Kingdom to Brazil, which has been especially marked in the matter of textile manufactures. But for such products as coal, iron, steel, tinplate and cement no such alternative sources of supply are available. In these directions, therefore, the country is suffering from exceptional scarcity while the products of the favourable balance of payments accumulate in the shape of gold and foreign exchange.

External Debt.

The external debt of the British Government has risen again this week by the grant of a further \$1,000,000 instal-

ment to the interest-free loan made to this country by the Government of Newfoundland. This brings the total of the interest-free loans advanced from this source to \$5,800,000. It is not generally realised how considerable and varied has been the new external debt of the United Kingdom, created since the beginning of the war under the National Loans Acts 1939-1941. Here are the detailed items as shown in the Finance Accounts 1941-42, and indicating the amounts outstanding at the end of the last financial year:

	£
Anglo-Netherlands Financial Agreement—	
Guilders 47,061,265	6,192,271
Reconstruction Finance Corporation—	
\$384,352,512	95,254,649
Government of Ceylon—	
Rupees 57,033,160	4,277,487
Government of Mauritius—	
Rupees 4,405,000	329,025
Government of East Africa—	
£EA 2,461,055	2,461,055
Government of Trinidad—	
\$3,702,000	771,250
Government of Newfoundland—	
Can. \$1,800,000	404,192
Other Loans Free of Interest	190,904
Total	109,880,833

The Reconstruction Finance Corporation Loan represents the operation which involved the pledging of non-marketable dollar investments as collateral. The other Government loans represent the sterling funds of these various authorities made available by way of direct loans to the British Treasury. Some are interest-free, others bear interest at rates ranging up to 3 per cent. The sundry free of interest loans are for small amounts, ranging down to 100 Iraqi dinars, and represent contributions from individuals in such overseas countries as Argentina, South Africa and Japan (this last, a pre-Pearl Harbour operation).

Smaller War Plants Corporation

An Act has been passed in the United States providing for the creation of the "Smaller War Plants Corporation." This state-owned organisation, having a capital stock of \$150,000,000, is empowered to make loans to small business concerns in order to mobilise their productive facilities in the war effort. The Act authorises the US War and Navy Departments and the Maritime Commission to make or participate in such loans. The service departments are also authorised to guarantee loans made by the Reconstruction Finance Corporation and by the Smaller War Plants Corporation to firms engaged in the defence programme. A further section of the Act excepts loans guaranteed by the service departments or the Federal Reserve banks from the limitations on loans to any one person which the national banks are permitted to make. Another interesting provision is that, where such action is required for the efficient prosecution of the war, the anti-trust laws of the United States or the Federal Trade Commission Act may be transgressed with impunity. In such cases the Chairman of the War Production Board must issue the appropriate order, and this will ensure that no prosecution or civil action follows. The new Corporation has been given a life not extending beyond July 1, 1945, except for purposes of liquidation, and if an extension is required, fresh legislation will have to be passed. The Corporation is given wide powers and its facilities are evidently intended to satisfy both the fixed and working capital needs of small-scale industrial enterprises.

The OCEAN

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Investment

Gilt-Edged Switches

While the rise in equities has continued in a rather halting manner during the past week, the movement which has attracted most attention has been that of gilt-edged stocks. Here, the longs have fallen while the shorts and those of medium date have improved, some of the shorts quite markedly. The dividing line between falls and rises has been a final maturity of 1960. The number of bargains received has shown a further falling off in this section, but the impression gained in the market is that turnover, in terms of value, has increased. A number of explanations are advanced, none of them completely satisfactory. So far as the definitely short dated bonds are concerned, it seems very probable that the explanation is the traditional one of easy money. Whether as a result of official policy, or by a series of accidents, the supply of money, both to the clearing banks and to outside institutions, has been very ample for what is now a considerable period. Some of the holders of this money, and possibly the discount houses, may have felt justified in placing it in something longer dated than bills, but it is doubtful whether this would account for the rise in medium dated stocks. Two other currents have been reported in the market, namely the sale of stocks bearing interest at the nominal rate of $3\frac{1}{2}$ per cent or over, and the investment of the money in the new Savings Bonds on tap, and the sale of long dated stock to finance purchases of equities. The former of these seems to argue the belief that anything bearing interest as high as $3\frac{1}{2}$ per cent will be paid off on maturity, the latter the opposite, namely a distrust of the Treasurer's ability to prolong the cheap money policy indefinitely. It is very doubtful whether either movement has been of really important dimensions, and it is possible that the real explanation of the fall in longs is that some important holder is in need of money, possibly for plant extension or some other war purpose. There are already signs that the movement is fading out, and it would certainly be premature to regard it as the beginning of any considerable switch from long dated fixed interest stocks into equities.

Duties of Trustees

Amendments in the information which must be provided before the Stock Exchange, London, will give permission to deal serve to draw attention to the growth of a very undesirable practice of relieving directors, or trustees, or both, of what have in the past been conceived to be their duties. The attitude of the Committee is that they cannot refuse permission to deal on the ground of these reliefs, but they feel that they must insist on their being known to the share or debenture holders as the case may be. They will, therefore, in future require publication of the relevant particulars in respect of all new issues, including conversions of existing stock. There is some reason to suppose that the inclusion of these reliefs in Articles of Association and Trust Deeds is becoming general, and, in some cases, it has been carried to a point where no duty is left to the trustee except to refrain from a fraudulent breach of trust. It is interesting to note that on this occasion the Stock Exchange Committee has refused to accept responsibility for protecting the stockholder beyond the point of insisting that he shall be put in a position to protect himself. Certainly, no investor should look twice at a security if those responsible for the conduct of the company, and those who are nominally supposed to oversee the execution of the terms of its loans, disclaim all liability. The question arises, however, whether such clauses should be permitted in Articles of Association and Trust Deeds. Are they not just another case of the ill effects of failure to amend the law so as to protect the small investor, commonly not in a position to secure the legal assistance at the disposal of most of those interested at the time when savings were in relatively few hands?

Responsibilities of Directors

According to Mr Beith, ex-chairman of the company, two directors of Horrockses Crewdson, knowing that the

EPT standard of the company would in all probability be altered so as to give it an increased profit, bought shares in the company. On that ground, they were invited by the chairman to resign. They did not do so, and at a subsequent meeting the chairman was removed from his position, but remains a member of the board. A statement signed by all the active members of the board, except the ex-chairman, says that the directors concerned have been in the habit of acquiring shares from time to time as occasion offered, since none but the qualifying shares were available to them at the time of their election. They also point out that there are many factors more important than the EPT standard which will affect the value of the shares, and they advise the proprietors to keep an open mind until the publication of the full accounts, and a statement as to the actual EPT standards. The exact motives of the directors in making the purchases may well remain a secret to themselves for all time, but it is probable that there will be some who will believe that they hoped to use special knowledge to their own advantage without disclosing their intention. In fact, this story—of which it is probable that the last has not yet been heard—well illustrates the necessity for insisting that those who deal in securities of whose value they have special knowledge, and over whose future they have control, should be compelled to disclose the transaction after a suitable lapse of time. Had the directors acted as they did with the knowledge that their action would be made public, it would be much less easy to entertain the suspicion that they were, in fact, taking advantage of special knowledge to their own benefit and incidentally to the detriment of some of those whom it is their duty to serve.

Far Eastern War Damage

The publication of a letter from the Joint Committee, representing all interests carrying on business in the British territories, now in Japanese occupation, to the Chancellor of the Exchequer and the Secretaries of State for the Colonies and Burma, on the question of compensation for war damage appears to have raised very little comment. The submissions put forward by the Committee are that the home Government, in conjunction with the local Governments, should guarantee the solvency of any Government insurance scheme in force in any of the territories, and assume responsibility for all loss or damage sustained which is not recoverable under any insurance scheme. On the former point it is evidently undesirable that a mere lack of funds at the disposal of the local Government, at the time when compensation ought to be made, should prevent the payment of covenanted benefits. The schemes ought to be implemented in the sense in which any reasonable man would read them. Where the burden of providing the necessary funds should finally rest is another matter. It is understood, however, that, even where such schemes existed, they were very inadequate, even as judged by the standard of achievement in this country, and it is a fair guess that the bulk of the damage will fall outside them. A considerable part of the letter is, in fact, devoted to stressing the effects of the scorched earth policy.

The Committee asks for no payment now, but it does ask for a clear and definite statement of policy in a sense which will help to ameliorate distress, give hope and confidence for the future, and restore firmly the belief that the burdens of war damage will be distributed in such a way as, in the words of the Prime Minister, "give effect to the feeling that there must be equality of risk and equality of treatment." It is not clear whether in their claim for total compensation the Committee includes loss of income as well as damage to property, but it may be said at once that, in this country, only the most tentative attempts have been made to provide compensation for the former. No one can pretend that anything approaching justice is being meted out in Great Britain so far as loss

of income is concerned, and there are doubts whether the compensation for loss of property will prove fair and adequate. As was pointed out on page 322 of *The Economist* of last week, the Prime Minister has committed himself to the statement that failure to distinguish sharply between war damage by bomb and shell and other kinds of loss would open up a limitless field. In these circumstances, it is admitted that one can only do what one can, and what will be possible is a function of the total damage shown to have been sustained when reconstruction can begin, and of the resources available then, and estimated to be available later. Promises now can scarcely go beyond the acceptance of a general principle that the loss shall be spread, instead of being left entirely where it falls.

Great Boulder Developments

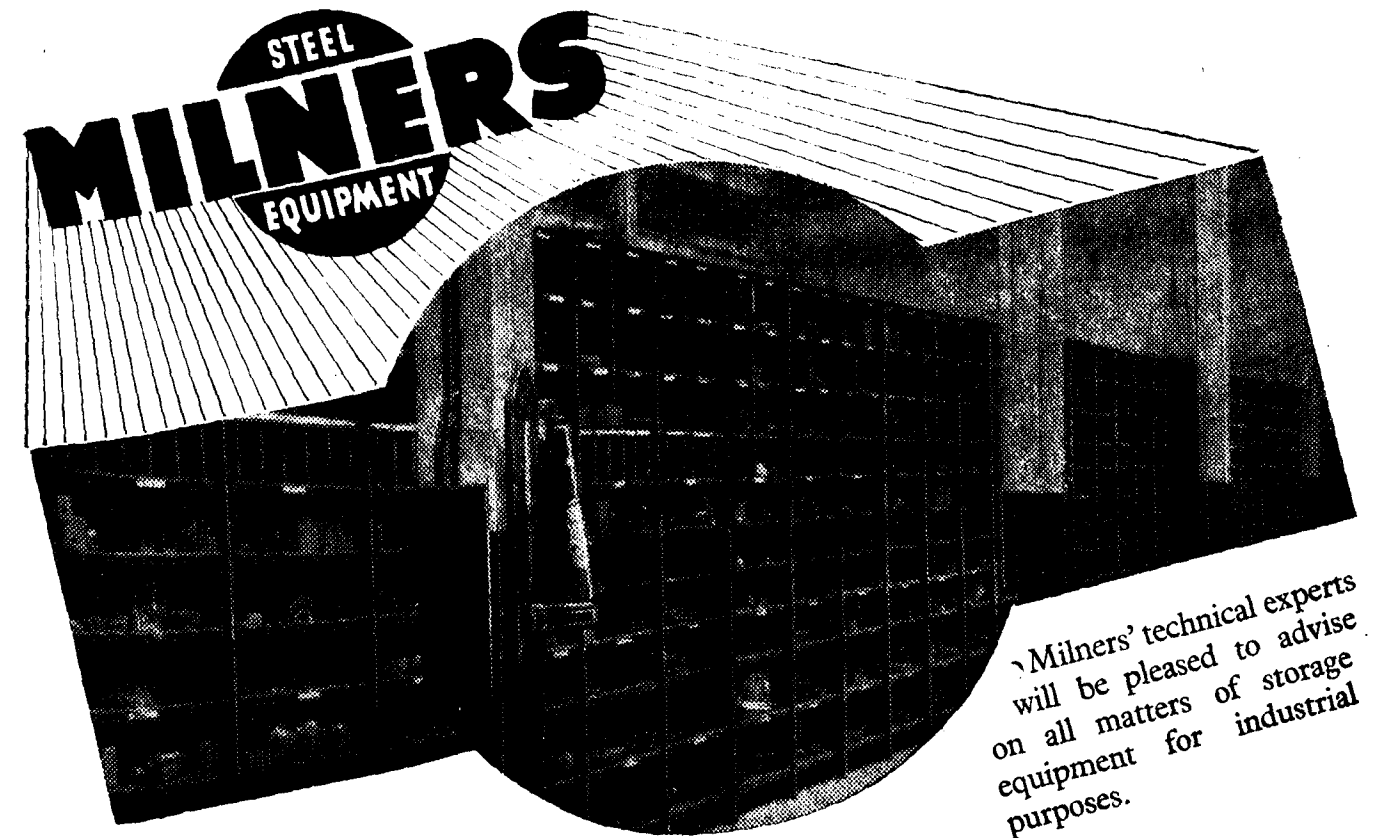
It is satisfactory to learn from the new sole liquidator of Great Boulder Proprietary Gold Mines that there is some prospect of a scheme being evolved which should be acceptable to all who wish for the prosperity of the company. No official information as to the character of this plan is so far available, and meanwhile a new organisation, the Shareholders' Resumption Group, has arisen which is demanding, *inter alia*, that the right to manage their own affairs should be restored forthwith to the shareholders. Those who remember anything of this regrettable affair will know that the whole essence of the problem lies in the fact that a powerful group of shareholders holds that the policy of the board is against the best interests of the company, and it is perfectly evident that until this conflict of views is resolved, or one party or the other abdicates, there is not the slightest hope that the restoration of the normal machinery of company control can result in satisfactory operation. The board, in fact, still has the majority of votes. The board put the company in liquidation in order to remove its control to Australia, and to stay the liquidation would, in existing circumstances, deprive other shareholders of all say in the administration of their property. Although the matter has dragged on for years, this is in no

way the fault of the new liquidator, who has only been in office for some two and a half months. The wisest course is clearly to give him a reasonable opportunity to realise the arrangement of which he has hopes. If that fails to mature, it will be time to think again.

Company Notes

Unilever Dividend Unchanged

The fact that the net profits of Lever Brothers and Unilever for the year 1941 show a fall from £6,987,130 to £5,835,589, and that the ordinary distribution is unchanged at the level of 5 per cent to which it was reduced a year ago, appears to have caused considerable disappointment in the market. The fall is certainly heavy, and the net profit appears to be the smallest since the formation of the company. The lack of any increase in the dividend can, however, scarcely have caused surprise. The difficulties of the company must have risen during the year, and there is the probability of losses in the Far East to be considered. Further, the scheme for the pooling of profits with the Dutch company means that the British concern still has to provide against the contingency of the preference dividend not being met, as well as for an ordinary dividend equivalent to the 5 per cent on the British ordinary shares. In view of the drop in earnings, the amount available for ordinary capital has been reduced from 34.1 to some 27.0 per cent. Last year, £700,000 was placed to contingencies, and some £1,227,000 added to the carry forward. This year, the total available, after preference and ordinary payments, will be some £770,000. The preliminary statement gives the consolidated profits of the group, after EPT but before British income tax, as £10,562,540, compared with £11,225,451 for 1940. The accounts for that year do not show the latter figure but the profit after tax was £9,674,736, while income tax and NDC, excluding tax on interest and dividends, was £2,543,727. It will be noted that the fall in group earnings, on this basis, was very materially less than that in the net profit of the parent after taxation, which would suggest that either that item, or one or more of the



MILNERS SAFE CO., LTD., 21, HAMPSTEAD LANE, LONDON, N.6. TELEPHONE: MOUNTVIEW 6655

special appropriations, has increased on the year. The £1 units of ordinary stock fell 2s. 6d. to 28s. 9d. on the announcement, but this is still well above the level of a year ago, and the yield of £3 10s. 10d. per cent less tax at 9s. 9d. shows that the price still discounts a very material recovery in distributions after the war.

Courtauld's Earnings

It is doubtful whether any definite conclusions were based on the reduction in the dividend of Courtauld's for last year to 7½ per cent, announced at the end of February. The full accounts show that profit, after slightly reduced depreciation, are up from £3,291,392 to £4,227,507, but the rise is more than absorbed by the increase in tax charge, and the actual amount earned for ordinary is lower. The rise in tax is, however, due in part to the higher rate of income tax, and the percentage earned has risen from 9.4 to 9.6. It should perhaps be pointed out that the profit includes, in addition to 9½ months' interest on the compensation award, £593,940, final dividend on the old Viscose holding. This is now cut to only 5 per cent of the total capital, so that the total receipts on these two accounts will be substantially lower. The matter is, however, of rather academic interest, as Mr Courtauld states that, in view of EPT, there is not likely to be much difference between what it was expected to receive from Viscose—so long as USA taxation was high—and what the company will get under the new arrangement:—

	Years ended December 31st,		
	1939	1940	1941
Profit†	3,592,158	4,434,437	5,360,007
Depreciation	1,019,644	1,143,045	1,132,500
Taxation	991,257	1,764,808	2,876,459
Preference dividend	260,000	230,000	200,000

Ordinary shares:—			
Earned	1,321,255	1,296,584	1,151,048
Paid	1,128,000	1,104,000	900,000
Earned %	8.2	9.4	9.6
Paid %	7	8	7½
Contingencies	161,939	185,737	180,000
Carry forward	316,160	323,007	494,055

† After War Damage in 1941. ‡ Employees' Pensions Reserve.

The balance sheet shows two sets of changes. First, a rise of £11,124,094 in general reserves and from some £12,824,000 to £41,034,000 in net liquid assets, accompanied by a drop of £16,000,000 in holdings in subsidiaries. Second, a fall from £4,267,366 to £2,930,967 in stock-in-trade, but a rise in debtors, which seem to suggest that, although trade is keeping up fairly well, reserves of materials are being run down. On the former point, Mr Courtauld says that trade in 1941 was much as expected,

and that the first half of 1942 has been busy, within the limits imposed by restriction and controls. These are likely to grow, but there is a reasonable certainty that the company will earn its EPT standard, and that there will be little change in distributable profits. On the news, the £1 stock units stand at 38s. 9d., returning some £3 17s. 6d. per cent.

Initial Services Recovery

The full accounts of Initial Services for the year to June 30th last show a rise in total consolidated income from £272,440 to £344,416, and in the income of the company from £262,526 to £292,890. Despite an increase in tax liability, including all tax on dividends, from £149,376 to £174,598 and in the sum written off air raid shelters from £1,441 to £4,334; equity earnings are higher, and the ordinary dividend, maintained at 16½ per cent, is covered by a rate of 17.9 against 16.8 per cent. As in the previous year, there is no transfer to general reserve, which remains at £160,000, so that the whole surplus goes to raise the carry forward from £10,044 to £15,706. The balance sheet shows an increase in debtors from £75,298 to £83,184. This, together with a jump in net loans to subsidiaries from £26,045 to £70,391 indicates a considerable expansion in business last year. The chairman, Mr. W. J. Chinneck, reports that the concern has been scheduled under the Essential Work Order. The new accounting year has started rather better than 1941-42, and, in the absence of disorganisation by a resumption of large-scale bombing, supplies of labour and materials are likely to be the limiting factor. The 5s. ordinary shares at 17s. yield £4 19s. 6d. per cent.

Odeon Theatres

The preliminary statement of Odeon Theatres for the 53 weeks to June 27th last shows a striking rise in profits, after fees, from £643,287 to £1,530,539, and the resumption of ordinary dividends with a payment of 12 per cent, the first since 1938-39. Tax liability however, has risen from £325,000 to £1,100,000. War damage and ARP require a total of £60,464 against £79,470, and there is an increase in the surplus for ordinary capital from £22,231 to £160,093. Thus, the ordinary payment is covered more than three and a half times with a rate of 36.5 per cent. The directors have transferred £134,640 to write off the balance of preliminary expenses so that the carry forward is some £18,000 lower at £78,595. The improved results are in line with the experience of Associated British Picture Corporation and demonstrate palpably that the increased entertainments tax has proved no lasting discouragement of the cinema goer. The 5s. ordinary shares at 13s. yield £3 18s. 5d. per cent.

Industry and Trade

New Steel Controller

Sir W. Charles Wright has resigned his position as Controller of Iron and Steel owing to ill-health. Like Sir Charles Wright, the new Controller, Sir J. M. Duncanson, is a member of the iron and steel industry. He is a director of the Steel Company of Scotland, a subsidiary of Colvilles, the large Scottish iron and steel concern. Sir J. M. Duncanson has long been closely associated with the Steel Control. Early in the war he was appointed director of heavy steels, shell steel and semi-finished steel, and, two years ago, he became Deputy Controller in charge of iron and steel supplies. Within the limits of its monopolistic set-up, which, if anything, has been strengthened during the war, the record of the British iron and steel industry during the past two years has not been unsatisfactory. There have been allegations of failures and mistakes—some of them serious; the history of the scrap campaign is scarcely creditable. But it must be remembered that the industry has had to contend with considerable difficulties arising from the loss of some of its main sources of raw materials and from the need to alter the balance of its output in favour of the kinds of steel needed in wartime. The reduction in iron ore imports has been largely made good by increased home production, and, in the case of scrap too, the increased use of home supplies has offset the loss of imports. The methods adopted for directing steel supplies to essential

uses, for which Sir John Duncanson has been largely responsible, have, on the whole, achieved their purpose, though they may be open to criticism in detail. Evidence of their success is the fact that 75 per cent of available steel supplies are consumed directly for military purposes and that purely civilian consumption has been cut to 7 per cent of the total. But there are many dangers ahead which will test the capacity of the new Controller to the full.

Check Trading

In order that prices, fixed under Maximum Price Orders, should not be raised to allow for the cost of giving credit, the Board of Trade issued an Order and direction on August 4th prohibiting check traders from making an additional charge for credit in the form of poundage from check trader sells "checks" or vouchers which entitle the customer to purchase goods to the amount of their face value—usually £1—at certain specified retail shops. The customer undertakes to repay this credit by weekly instalments normally at the rate of 1s. a week on each £1 check. These instalments are collected by employees or agents of check trading concerns who, in addition to collecting instalments, sell new checks to their customers. The customer is charged poundage on each check at the rate of 1s. to 1s. 6d.

in the £1. The check trader, who has agreements with particular retailers to supply goods against the presentation of the checks, repays these retailers for checks which they have exchanged for goods and he is allowed an agreed rate of discount from the retail selling price, amounting, on the average, to about 17½ per cent before the war. Thus, the check trader derives his revenue from two sources, from poundage from the consumer and discount from the retailer. It has been stated that the number of persons employed in this form of trading, including those employed part-time, may be as many as 20,000. In prohibiting poundage from October 1st, the Board of Trade has thus put the check trader on the same footing as the retail trader. In reply to criticism of the Order in the House of Commons on September 8th, Mr Dalton pointed out that there are a large number of other forms of credit trading available to persons of small means, such as ordinary retail shops giving credit to their customers, direct credit traders who themselves deliver goods through travellers to the purchasers (which the check traders do not), clothing clubs of many kinds run by shops and co-operative societies, and mail order and other agencies. All these traders have accepted the new situation by which all credit charges, all organisers' commissions and the like must be included within the margins allowed in the Maximum Prices Orders. Mr Dalton has rightly refused to grant special concessions to the check traders.

Discipline in Coal Mining

The Ministry of Labour and National Service has made a new Essential Work Order for the coal mining industry which came into force on Thursday. The Order is designed to strengthen discipline in the industry and, in particular, to tackle the problem of absenteeism. It is now an offence for a person employed in the industry to absent himself from work without reasonable excuse; to be persistently late in presenting himself for work; to fail to comply with any lawful and reasonable orders given to him; and persistently to behave at work in such a manner as to impede production. Any infringements of the Order are to be reported to the new regional investigation officers of the Ministry of Fuel and Power who may recommend the National Service officers of the Ministry of Labour to take proceedings. It would be unfair to infer from this Order that there has been a general lack of discipline and slackness in the industry. Absenteeism, it is true, is higher than before the war, but it must be remembered that the number of man-shifts worked per week has been increased and that many of the youngest and strongest miners have been called up. The Order is designed mainly to prevent slackness among the minority.

Unemployment

The total number of persons registered as wholly unemployed at employment exchanges in Great Britain showed a further rise between July and August. As in the previous month the increase occurred among boys and

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN			
	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment
July 13, 1942			
Men	55,953	1,710	2,173
Boys	10,163	18	7
Women	26,767	1,431	124
Girls	8,553	105	1
Total	101,436	3,264	2,305
August 17, 1942			
Men	55,693	1,744	2,541
Boys	15,615	22	7
Women	23,793	1,760	120
Girls	12,433	96	1
Total	107,534	3,622	2,669

girls; the number of wholly unemployed men and women was slightly lower. The number of persons temporarily stopped as well as unemployment among workers normally in casual employment registered a small increase. The Ministry of Labour has decided to review the registers of men aged 41-50 and of women aged 18-45 in order to ensure

that those who are no longer doing the work in which they were confirmed, or to which they were directed, at the time of interview, are not lost to the war effort.

Wages in Engineering

The engineering unions have now submitted their claim to higher wages to the Engineering and Allied Employers' National Federation. The demand is substantial. It includes an all-round increase of 11s. a week; an increase equivalent to 33½ per cent of basic rates of all time workers; and the elimination of the economy measures introduced during the trade depression in 1931. The total cost of the claim has been estimated at £100 millions a year and the number of workers who would benefit from it at two millions. Earnings in the engineering trades are already among the highest in industry, and a further increase may be expected to precipitate claims from other unions.

Concentration of Industry

On Tuesday, last week, Mr Dalton gave some interesting information about compensation arrangements which have been made by industries concentrated under the Board of Trade scheme, additional to that contained in an article on the progress of concentration in *The Economist* on August 29th. According to Mr Dalton, the total number of concentrated industries is 36. Twenty compensation schemes, covering whole industries or large sections of industries, have been approved. These naturally vary according to the circumstances of individual industries. In the majority of cases there is a central fund—raised by a levy on the machine capacity or the turnover of the nucleus firms—from which the closed firms draw compensation. In general, the amounts required for the care and maintenance of the plant and machinery of closed firms are the first charge on these funds. In the remaining 16 industries there are no central compensation schemes, and, as was pointed out in *The Economist*, the normal practice is for the nucleus firm to produce goods at cost for the closed firm, which continues as a selling organisation.

Ice Cream Traders

The Order prohibiting the manufacture and sale of ice cream and water ices after the end of this month is to stand, in spite of appeals to the Ministry of Food by the representatives of the trade. There can be no doubt that the Ministry is technically right in upholding its decision on the grounds of the need for economy in labour, transport, raw materials and packing, and for concentrating all available resources on the most essential food production. The manufacture of ice creams is largely controlled by Walls, Eldorado and Lyons, and their labour and equipment may well be put to better uses. Ice creams may be ranked as a luxury and not as a necessity, and their manufacture cannot be said to have any direct bearing on the war effort. What, however, does seem rather hard, is that traders driven out of business are to receive no compensation. It is estimated that about 100,000 retailers are involved, including 40,000 street corner men. Though the majority run ice creams as a side line to the sale of confectionery and tobacco, some are wholly dependent on the business and are small owner proprietors with no other means of livelihood. One cannot escape from the conclusion that if the trade were more powerfully organised it would have secured better treatment. It is perfectly true that it would be impracticable and undesirable for one Government department to start compensating one section of one trade, but the fate of the small ice cream traders serves to accentuate the need for a comprehensive and satisfactory scheme of compensation for economic casualties, an issue which the Government has so far shirked.

THE EASTERN BANK LIMITED

The TRANSFER BOOKS will be CLOSED from the 22nd September to the 3rd October, 1942, both days inclusive.

By Order of the Board.

C. L. MANNING, Secretary.

Crosby Square, Bishopsgate, London, E.C. 3.
14th September, 1942.

COMPANY MEETING

TELEPHONE RENTALS,
LIMITEDSATISFACTORY PROGRESS
IMPORTANCE OF COMPANY'S
SERVICES

The thirteenth annual general meeting of Telephone Rentals, Limited, was held, on the 14th instant, in London.

Mr Fred T. Jackson (chairman and joint managing director) said that the gross dividends from subsidiary companies showed a small decrease, amounting to £133,820 as against £136,268 for the previous year. This decrease arose in part from increased costs of maintenance, together with the expenditure incurred in respect of insurance against war damage, which was very considerable. These increased costs had in part been offset by a percentage increase in the annual rental charges. The result for the year, before charging national taxation, was a profit of £134,085 as compared with £136,312 for last year. There was a very large increase in the charge for national taxation, and as a result of this and of the slight decrease in net profit, they had had to reduce the transfer to the general reserve to £10,000 against £25,000 for the previous year. The reserve

accounts now amounted to £341,781. It was proposed to pay a final dividend of 6 per cent, less income-tax at 9s. 10.55d. in the £, making 10 per cent. for the year. Their total interest in subsidiary companies by way of shares and advances stood in the balance-sheet at £1,079,825 as compared with £1,066,824 a year ago. All their British subsidiaries had traded at a profit during the year.

DEMAND FOR EQUIPMENT

The accounts indicated very clearly that the company was making progress, even though trading conditions were difficult. They still held the leading position in their particular industry, which was the provision on rental of internal telecommunication and broadcasting installations, factory time and cost control systems, etc. All the apparatus they had developed was in great demand and many of the leading industrial concerns in the country were their subscribers. Telematic and chromatic services made a very important contribution to the national effort, so that this great demand was understandable in these times when the combination of speed and elimination of waste in production was so vital. The shortage of man-power and materials was still very evident, but it was recognised that all the company's equipment was of great importance and it had therefore been possible to maintain their progress.

Reference had already been made to increased costs and overheads under various headings, but it was very satisfactory that most of their subscribers had agreed to a percentage increase in the rentals charged. It was most gratifying to be able to record that since the commencement of the war their subscribers had taken many opportunities of expressing their appreciation of the service the company was providing.

Provided the material and labour position did not worsen, he saw no reason to anticipate any falling off in the financial results during the current year. Indeed, as eight months of the operating companies' financial year had passed, the known results made his forecast a reasonably safe one.

A number of skilled workmen had been released for special work of national importance and the matter of finding adequate substitutes presented serious problems. They were one of the first firms in the country to train women in the maintenance and installation of telephone and other apparatus. This experiment had proved very successful and had helped greatly in easing the labour position.

The chairman concluded with an expression of appreciation of the splendid work done by the engineering and administrative management and staff.

The report and accounts were unanimously adopted.

RECORDS and STATISTICS

STOCK EXCHANGES
London

Note: all dealings are for cash

THE level of market activity showed signs of falling off at the end of last week, and after a slight spurt at the reopening it became evident that the force of the general upswing was spent. Sentiment was overshadowed by the increasingly sober reports from Stalingrad, and long-dated issues in the gilt-edged market experienced a definite setback with almost daily losses ranging between $\frac{1}{4}$ and $\frac{1}{8}$, although on Tuesday there was on balance no change. There was some demand for 3 per cent Savings Bonds and 2½ and 2 per cent Funding, with general strength among short-dated issues. The foreign bond market was characterised by heavy selling of Brazilian and Peruvian issues early in the week, by a steady demand for Mexican stocks and by some buying of French rails before and after the week-end. Home rail senior stocks attracted some attention at the end of last week, but with the fall in long-dated gilt-edged attention was switched to junior issues from Tuesday, after which there were sharp rises in Great Western ordinary and Southern preferred and deferred and LMS ordinary. Among foreign rails, Canadian Pacific ordinary and preference corrected last week's losses with gains of $\frac{1}{8}$ and 1 point, respectively, on the same day, but there was scattered selling of South American issues throughout. Later, a modest rally among Brazilian issues encouraged the foreign bond market, and demand for home rail junior stocks continued to strengthen.

The main feature of the industrial market, where activity was on a somewhat reduced scale, was the increasing demand for motor and aircraft issues. While gains rarely exceeded 6d., they were widely spread, including Raleigh Cycle Holdings, Handley Page, Guy, Leyland and De Havilland, and on Tuesday Rolls-Royce improved $\frac{1}{4}$. Triplex, however, was sold on the preliminary statement. Business in the brewery and tobacco groups was reduced to a minimum, although Gallaher and BAT improved

somewhat, early in the week. Among heavy industrials, Tube Investments and Staveley attracted some support. London Brick failed to hold a pre-weekend gain of 6d. when, in the miscellaneous group, Lever and Unilever slumped 2s. 6d. on the preliminary figures. This week there was some selling of Brazilian Traction and International Nickel. The textile group displayed no trend, but Coats and Patons and Baldwins realised small gains early in the week. Otherwise, there was little buying and prices moved irregularly. In midweek, selective buying coupled with shortage of stock raised the Financial News index to a new high level at 85.2.

Turnover was also lower in the commodity share markets, although kaffirs enjoyed increasing Cape support. Speculative issues were mainly in demand on Monday. There was consistent buying of West Wit Areas and, later in the week, such market leaders as Sub Nigel and Crown Mines also improved. Union Corporation lost $\frac{1}{8}$ on Tuesday. There were few price changes in the rubber share market, but the demand for good-class tea shares was marked and Jokai (Assam), among others, improved steadily, on the terms of the increased Government purchase. In the oil market, pre-weekend losses in the order of $\frac{1}{2}$ by most market leaders were generally corrected on Tuesday when Burmah Oil and "Shell" Transport improved $\frac{1}{4}$. There was, however, no general recovery, and Trinidad Petroleum Development and Lobitos lost the same amount. Both oil and kaffir subsequently experienced a moderate setback and interest generally declined.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List †	Corres. Day 1941 \$	Security Indices	30 Ord. shares*	20 Fixed Int.†
Sept. 10.....	4,195	3,644	84.7	133.5	
" 11.....	3,882	3,842	84.9	133.3	
" 14.....	4,544	3,827	85.0	133.2	
" 15.....	3,800	4,693	85.0	133.2	
" 16.....	3,695	3,729	84.2	133.2	

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 85.2 (Sept. 16); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5). † New basis in S.E. List. ‡ Old basis.

New York

AFTER sustaining a number of scattered fractional losses as investors lightened commitments, Wall Street closed quietly before the week-end. At the beginning of this week, prices were generally steady, but trading remained colourless and apathetic. There was some recovery in the demand for rail and utility issues, and later, renewed rumours of further tax relief gave rise to a burst of active trading with gains of 2 points not uncommon. In midweek, the trend was again irregular. There was a marked setback for merchandising issues, although market leaders in many other sections held steady.

STANDARD STATISTICS INDICES
(1935-36=100)

	WEEKLY AVERAGES				
	Low April 29	High Jan. 14	Aug. 26, 1942	Sept. 2, 1942	Sept. 9, 1942
347 Industrials.....	62.4	75.0	70.5	71.1	71.3
32 Rails.....	58.4	71.0	65.8	65.9	66.2
40 Utilities.....	53.1	67.4	59.0	59.4	59.6
419 Stocks.....	60.8	73.3	68.4	68.9	69.3
Av. yield %.....	8.40	6.52	6.65	6.58	6.52

* 50 Common Stocks.
(a) Jan. 7. (b) Feb. 4. (c) Sept. 9. (d) June 24.
DAILY AVERAGE OF 50 COMMON STOCKS
Sept. 3 Sept. 4 Sept. 5 Sept. 7 Sept. 8 Sept. 9
87.6 87.4 87.6 (a) 88.2 87.8
1942 High: 91.2, Jan. 5. Low: 75.2, April 28.
(a) Labour Day.

Total share dealings: Sept. 10, 345,000;
Sept. 11, 376,000; Sept. 12, 116,000;
Sept. 14, 313,000; Sept. 15, 386,000;
Sept. 16, 378,000.

Capital Issues

Week ending September 19, 1942	Nominal Capital	Con- versions	New Money
By Permission to Deal.....	2,190,334	...	2,159,424
Particulars of Government issues appear on page 373.	Including: Conversions	Excluding: Conversions	
1942.....	1,105,590,220	1,090,869,472	
1941.....	1,143,184,024	1,089,576,742	

(Continued on page 374)

GOVERNMENT RETURNS

For the week ended Sept. 12, 1942, total ordinary revenue was £32,399,000, against ordinary expenditure of £89,004,000, and issues to sinking funds of £150,000. Thus, including sinking fund allocations of £5,783,059, the deficit accrued since April 1st is £1,308,737,000 against £1,356,667,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Esti- mate, 1942-43	Receipts into the Exchequer (£ thousands)			
		April 1 to Sept. 13, 1941	April 1 to Sept. 12, 1942	Week ended Sept. 12, 1942	Week ended Sept. 12, 1941
ORDINARY REVENUE					
Income Tax.....	913,000	162,651	249,025	4,700	6,427
Sur-tax.....	78,000	11,414	11,120	425	290
Estate, etc.....	90,000	42,534	43,196	2,082	1,650
Stamps.....	15,000	5,201	5,660	100	100
N.D.C.....	425,000	8,265	11,390	570	680
E.P.T.....	87,251	153,483	4,720	7,580	
Other Ind. Rev.....	1,000	171	260	6	10
Total Ind. Rev.....	1522000	317,487	454,134	12,503	16,737
Customs.....	438,295	159,136	207,321	8,779	10,111
Excise.....	366,705	140,000	181,100	1,395	2,400
Total Customs & Excise.....	805,000	299,136	388,421	10,174	12,511
Motor Duties.....	34,000	9,073	4,535	...	102
Canadian Govt. Contribution.....	225,000	...	145,827	...	...
P.O. (Net Re- ceipts).....	10,000	7,700	10,750	650	1,400
Wireless Licences Growth Lands.....	4,300	...	1,160	...	...
Receipts from Sundry Loans.....	800	530	440	...	...
Miscell. Receipts.....	5,000	1,974	999	76	39
Total Ord. Rev.....	2627100	669,232	1,053,228	30,775	32,399
SELF-BALANCING P.O. & Brdcastg.....	102,523	40,900	43,400	1,150	1,400
Total.....	2729623	710,132	1,096,628	31,925	33,799

Expenditure	Esti- mate, 1942-43	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Sept. 13, 1941	April 1 to Sept. 12, 1942	Week ended Sept. 12, 1942	Week ended Sept. 12, 1941
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	325,000	129,269	155,214	1,416	771
Payments to N. Ireland.....	9,500	3,253	3,354	...	...
Other Cons. Fund Services.....	7,800	3,189	3,448	...	...
Total.....	342,300	135,711	162,016	1,416	771
Supply Services.....	494,479	188,432	219,466	85,000	88,233
Total Ord. Exp.....	528,679	202,063	235,612	86,416	89,004
SELF-BALANCING P.O. & Brdcastg.....	102,523	40,900	43,400	1,150	1,400
Total.....	538,902	206,153	239,952	87,566	90,404

After decreasing Exchequer balances by £52,131 to £2,621,580, the other operations for the week (no longer shown separately) raised the gross National Debt by £56,826,983 to £15,377 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Sept. 12th and Sept. 18th. (Figures in brackets are par of exchange.)

United States. \$ (4-88) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-88) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-22) 17-30-40. (11-45) 16-95-17-15; mail transfers 16-95-17-15. Dutch West Indies. Florin (12-11) 7-59-62; mail transfers 7-58-64. Portugal. Escudos (110) 4-02-04. Panama. \$ 4-02-04; mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Piastres (110) 820. Italy. 71-25 lire.

Finance

NET ISSUES (£ thousands)	
P.O. and Telegraph.....	120
Anglo-Turkish Armaments.....	23
Overseas Trade Guarantee.....	7
	150

NET RECEIPTS (£ thousands)	
War Damage Act.....	17
Land Settlement.....	8
	25

FLOATING DEBT (£ millions)

Date	Treasury Bills	Tender	Tap	Ways and Means Advances		Treasury De- posits by Banks	Total Float- ing Debt
				Public Depts.	Bank of Eng- land		
1941							
Sept. 13	970-0			Not available			
June 13	975-0			"	"		
" 20	975-0			"	"		
" 30	2,638-5			160-4	36-3	591-5	3426-7
July 4	975-0			"	"		
" 11	975-0			"	"		
" 18	975-0			"	"		
" 25	975-0	1654-3		166-8	"	654-5	3450-6
Aug. 1	975-0			Not available			
" 8	975-0			"	"		
" 15	975-0			"	"		
" 22	975-0			"	"		
" 29	975-0	1668-3		254-4	"	695-5	3593-2
Sept. 5	975-0			Not available			
" 12	975-0			"	"		

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allot- ment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1941					
Sept. 12	75-0	165-8	75-0	20-2-73	29
1942					
June 19	75-0	124-3	75-0	20-0-90	49
" 26	75-0	141-4	75-0	20-0-58	41
July 3	75-0	143-9	75-0	20-0-54	40
" 10	75-0	157-7	75-0	20-0-32	33
" 17	75-0	139-6	75-0	19-11-93	35
" 24	75-0	136-6	75-0	20-0-80	42
" 31	75-0	155-1	75-0	20-0-71	38
Aug. 7	75-0	151-4	75-0	20-0-69	44
" 14	75-0	135-6	75-0	20-0-71	39
" 21	75-0	163-6	75-0	20-2-85	31
" 28	75-0	166-1	75-0	19-10-62	40
Sept. 4	75-0	157-3	75-0	19-10-87	44

On Sept. 11th applications at 99 15s. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 40 per cent of the amount applied for, and applications at higher prices in full. £75 millions of Treasury Bills are being offered on Sept. 18th. For the week ending Sept. 19th the banks will be asked for Treasury deposits to a maximum amount of £45 millions.

NATIONAL SAVINGS
CERTIFICATES AND 3% AND 2½%
BOND SUBSCRIPTIONS

Week ended	(£ thousands)			
	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Aug. 4.....	3,447	1,445	4,070	4,777
" 11.....	3,979	1,863	6,055	4,159
" 18.....	4,151	1,902	5,417	6,694
" 25.....	4,186	1,670	6,034	6,325
Sept. 1.....	4,509	1,786	9,519	5,689
" 8.....	4,285	1,952	4,925	20,339
" 15.....	...	...	7,583	12,009
Totals to date	610,213	489,467	851,440	567,453

* 146 weeks. † 89 weeks. ‡ 49 weeks.
§ Including series "A." || Including all Series.
Interest free loans received by the Treasury up to Sept. 15th amounted to a total value of £50,509,510. Up to Aug. 29th, principal of Savings Certificates to the amount of £78,972,000 has been repaid.

Market Rates.—The following rates remained unchanged between Sept. 12th and Sept. 18th.

Egypt. Piastres (97) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-2. China. National \$ 21-3½d.

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

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 2 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Sept. 12th and Sept. 18th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND
RETURNS

SEPTEMBER 16, 1942

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In Circul.	831,120,146	Other Govt. Securities...	866,183,544
In Bankg. De- partment....	49,121,572	Other Secs....	1,541,803
		Silver Coin....	1,259,553
		Amt. of Fid. Issue.....	880,000,000
		Gold Coin & Bullion (at 168s. per oz. time).....	241,718
			880,241,718

BANKING DEPARTMENT

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Sept. 13, 1941	Sept. 12, 1942	Sept. 13, 1941	Sept. 12, 1942
Working days	6	6	216	215
Birmingham	1,806	2,594	81,981	91,235
Bradford	2,731	2,482	79,855	77,546
Bristol	1,897	1,447	71,273	70,514
Hull	606	617	23,265	27,802
Leeds	552	1,589	36,410	41,044
Leicester	759	759	29,752	30,769
Liverpool	5,461	4,972	198,467	168,071
Manchester	10,139	10,427	425,754	439,179
Newcastle	1,331	1,250	47,592	54,346
Nottingham	355	408	16,209	16,961
Sheffield	490	507	25,186	31,018
Southampton	92	70	3,444	4,164
12 Towns	26,219	27,122	1,039,188	1,072,649
Dublin*	5,684	6,463	214,241	235,690

* Sept. 6, 1941, and Sept. 5, 1942.

OVERSEAS BANK RETURNS

BANK OF CANADA
Million Can. \$

	Aug. 13, 1941	Aug. 5, 1942	Aug. 12, 1942	Aug. 19, 1942
ASSETS				
Reserve: Gold	444.8	17.2	10.5	1.0
Other	649.7	840.6	845.1	846.6
LIABILITIES				
Note circulation	412.7	571.7	578.8	582.5
Deposits: Dom. Govt.	23.7	39.7	46.5	18.3
Chartered banks	207.4	220.3	209.4	217.5

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

U.S. FEDERAL RESERVE BANKS

Million \$'s

	12 U.S.F.R. BANKS		Sept. 11, 1941		Sept. 27, 1942		Sept. 3, 1942		Sept. 10, 1942	
	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942
Gold certis. on hand and due from Treasury	20,297	20,551	20,562	20,561						
Total reserves	20,576	20,809	20,803	20,789						
Total cash reserves	263	245	228	215						
Total U.S. Govt. sec.	2,184	3,389	3,388	3,502						
Total bills and sec.	2,207	3,408	3,414	3,530						
Total resources	23,816	25,386	25,415	25,549						
LIABILITIES										
F.R. notes in circ.	7,130	10,031	10,201	10,328						
Excess mr. bank res.	5,110	2,340	2,260	2,350						
Mr. bank res. dep.	13,158	12,526	12,418	12,402						
Govt. deposits	456	176	146	214						
Total deposits	15,457	14,040	13,881	13,907						
Total liabilities	23,816	25,386	25,415	25,549						
Reserve ratio	91.1%	86.4%	86.4%	85.8%						
BANKS AND TREASURY RESOURCES										
Monetary gold stock	22,733	22,747	22,756	22,745						
Treasury & bank currency	3,185	3,337	3,341	3,343						
LIABILITIES										
Money in circulation	10,036	13,057	13,250	13,389						
Treasury cash and dep.	2,853	2,395	2,362	2,419						

RESERVE BANK OF INDIA

Million rupees

	Sept. 5, 1941		Aug. 14, 1942		Aug. 21, 1942		Aug. 28, 1942		Sept. 4, 1942	
	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942
ASSETS										
Gold coin & bullion	444	444	444	444						
Rupee coin	379	292	289	289						
Balances abroad	567	776	769	772						
Sterling securities	1,316	3,018	3,068	3,118						
Ind. Govt. rup. sec.	785	1,024	1,024	1,024						
Investments	77	66	66	66						
LIABILITIES										
Notes in circ.: India	2,632	4,664	4,708	4,723						
Burma	187									
Deposits: Govt.	155	148	120	123						
Banks	456	663	670	698						
Reserve ratio	60.2%	72.5%	72.8%	73.1%						

CENTRAL BANK OF ARGENTINA

Million paper pesos

	Aug. 15, 1941		July 15, 1942		July 31, 1942		Aug. 15, 1942	
	1941	1942	1941	1942	1942	1942	1942	1942
ASSETS								
Gold at home	1,071	1,075	1,075	1,075				
Other gold and for. exch.	433	598	608	617				
Non-int. Govt. bonds	119	114	114	114				
Treasury bonds	394	392	392	392				
LIABILITIES								
Notes in circulation	1,251	1,488	1,489	1,481				
Deposits: Government	80	47	49	143				
Banks	681	655	654	582				
Certs. of participation	33	28	30	29				
Reserve ratio	74.1%	75.1%	75.7%	75.7%				

COMPANY RESULTS (September 1 to September 15, 1942)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.		£		£	£	£	£	10	£	£	£	£	10
Dubnane-Talsker Distilleries	June 30	6,941		6,941	17,336	2,609	5,348	10	100,000	- 1,016	7,062	7,062	26
Guinness (Arthur) Son & Co.	June 30	1,231,218	77,996	1,192,053	2,049,580	60,000	1,087,500	29	...	- 55,447	1,391,581	1,281,348	26
South African Breweries	Mar. 31	1,296,301	...	340,890	482,515	34,375	318,090	17½	...	- 11,575	1,101,764	370,347	17½
Financial, Land, &c.													
City of London Brewery & Investment	June 30	198,506	...	96,004	175,685	103,952	3,450	3	7,000	- 7,848	200,309	104,482	Nil
Consolidated Seal (East Africa)	Mar. 31	27,835	5,154	7,683	23,006	...	...	...	...	- 2,767	18,260	4,481	Nil
Trojan (Holdings) Limited	Aug. 14	13,531	...	12,426	14,833	500	12,751	10	...	- 825	11,346	10,316	8
United City Property Trust	June 30	78,172	...	5,901	22,312	...	...	...	10,000	- 4,099	87,496	13,918	Nil
Gas													
Alliance & Dublin	June 30*	83,794	...	22,094	47,825	...	44,186	5	Dr. 22,092	...	80,875	64,126	5
Motor, Aviation, &c.													
Boulton Paul Aircraft	July 31b	98,536	14,299	20,951	39,819	...	12,500	5	10,000	- 1,549	95,619	20,529	5
Morris Motors Limited	Dec. 31	2,330,901	36,978	711,828	945,622	225,000	463,750	17½	25,000	- 1,922	2,083,225	574,094	17½
United Motors Limited	Dec. 31	12,432	102	10,811	37,623	...	5,198	15	...	+ 5,613	4,049	2,172	Nil
Oil													
United British Oilfields of Trinidad	Dec. 31	3,052,215	290,486	109,486	133,752	21,087	75,502	7½	...	+ 12,897	2,038,097	89,176	7½
Rubber													
Chiny	Dec. 31	9,156	...	3,257	6,539	...	...	...	2,876	+ 381	12,602	3,859	6
Itakande	Dec. 31	4,754	600	3,569	6,904	...	3,080	7	...	+ 488	4,047	1,841	6
Jeram	Mar. 31	10,768	...	Dr. 652	4,858	...	...	...	...	+ 652	41,744	20,482	7½
Klabang	Dec. 31	30,668	...	12,108	27,687	...	2,500	24	...	+ 9,608	40,462	11,159	10
Kuala Pergau	Mar. 31	3,863	278	2,419	3,621	...	...	...	...	+ 2,419	13,271	2,930	6
Landron	Dec. 31	51,595	1,000	10,770	16,048	...	7,200	4	...	+ 3,570	45,387	21,327	7½
Leibury	Mar. 31	2,513	...	Dr. 887	6,955	...	...	...	...	- 3,687	21,361	4,143	7
Malay United	Mar. 31	2,513	...	Dr. 3,463	Dr. 2,965	...	...	...	...	- 189	30,038	15,059	6
North Hummock (Selangor)	Mar. 31	6,401	...	Dr. 189	4,509	...	...	...	...	+ 17,323	50,234	16,773	10
Sinoh	Dec. 31	53,638	1,000	17,323	22,101	...	...	...	...	+ 4,913	29,509	6,582	10
Tanah Datar	Dec. 31	23,049	...	4,913	6,639	...	...	...	...	+ 1,483	21,578	9,722	12
Travancore	Dec. 31	18,776	...	8,778	20,493	...	4,795	12	2,500	...	...	...	...
Shops and Stores													
May (Joseph) & Sons (Leeds)	June 30	24,215	1,354	10,530	27,062	7,500	3,000	3	...	+ 30	49,685	31,593	6
Tea													
Assam Company	Dec. 31	593,294	...	66,302	91,593	...	60,000	6	5,000	+ 1,302	431,354	57,926	6
New Sylhet	Dec. 31	20,041	308	8,554	13,415	720	4,200	15	3,000	+ 634	9,805	3,413	10
Zaloni	Dec. 31	14,387	...	2,342	5,696	...	1,325	5	...	+ 1,017	8,170	2,043	6
Textiles													
Calico Printers' Association	June 30	308,175	...	174,925	285,877	226,208c	...	...	...	- 51,283	353,814	220,564	Nil
Trusts													
Capital & National	July 31	45,365	...	9,851	27,516	7,875	18,228	7½	15,000	+ 1,976	44,110	10,959	7½
Edinburgh & Dundee	June 30	147,561	...	46,870	67,983	16,405	5,167	5	2,470	- 2,763	148,849	51,415	7½
Second Clydesdale	July 1	50,286	...	15,387	35,636	7,750	...	...	...	- 253	49,733	16,912	5
Second Scottish Western	July 1	84,899	...	17,247	52,635	15,500	...	...	...	...	84,935	20,359	Nil
Other Companies													
Brightside Foundry &c.	June 30	96,493	...	95,758	143,695	2,500	43,750	25	25,000	+ 24,508	78,415	75,909	25
British Sugar Corporation	Mar. 31	578,864	201,000	94,378	148,628	...	112,500	44	...	- 18,122	780,359	124,236	44
Cementation Co.	Mar. 31	120,364	22,707	28,578	33,481	12,000	10,106	15	5,000	+ 1,472	102,005	23,247	15
Cosser (A. C.)	Mar. 31	78,105	...	66,676	96,635	15,000	37,500	7½	...	+ 14,716	107,012	94,701	15
Cranphorn Limited	Mar. 31	66,886	1,344	3,691	10,018	1,110	844	6	1,000	+ 737	72,851	3,172	6
Dorman (W. H.) & Co.	May 31	165,813	49,112	25,995	33,900	13,750	4,917	16½	7,000	+ 328	145,504	31,703	16½
Dufay-Chromex	Sept. 30	37,808	...	Dr. 10,558	Dr. 289,707	20,250	9	...	...	- 10,558	78,508	78,508	Nil
Hoffnung (S.) & Co.	Mar. 31	73,268	...	37,803	67,571	25,312	20,250	9	...	+ 5,662	262,526	146,396	16½
Initial Services	Mar. 31	292,890	9,337	97,562	107,606	16,000	16,177	16	...	- 3,071	186,469	65,593	Nil
London & Thames Haven Oil	Dec. 31	107,790	10,000	6,929	118,883	10,000	...	...	...	+ 3,145	366,491	38,592	15
Roberts (Charles) & Co.	Mar. 31	434,438	92,985	40,317	69,108	10,156	27,016	15	...	- 317	190,964	92,852	9
Sena Sugar Estates	Dec. 31	172,000	20,000	55,183	139,101	22,500	63,000	10	10,000	- 7,768	145,172	69,415	10
Telephone Rentals	May 31	143,266	...	42,522	83,970	...	40,290	10	...	+ 400	12,287	9,482	61
United Indigo & Chemical	June 30	12,447	...	9,306	24,897	5,625	3,218	6	...	+ 372	145,851	19,973	22½
Vaughan Brothers (Drop Forgings)	June 30	85,434	...	16,549	29,907	...	16,177	20	...	+ 6,278	228,157	82,771	10
Weston Foods Limited	June 30	104,530	8,752	93,778	101,423	22,500	12,500	25	2,000	+ 63	142,624	20,233	25
Williams (Clifton) & Son	June 30	71,996	3,788	14,563	32,959	...	...	...	700	+ 1,338	23,009	10,712	27½
Wright's Biscuits	June 30	20,423	4,721	12,332	17,419	3,419	6,875	27½	...	...	...	...	...
Totals (£'000's):													
September 1 to September 15, 1942	No. of Cos. 51	12,608	854	3,708	5,488	889	2,658	...	233	- 72	11,660	3,975	...
January 1 to September 15, 1942	1,370	279,670	27,750	126,364	208,776	28,404	77,830	...	15,089	+ 5,041	280,758	132,605	...

(Continued from page 375)

in the case of goods despatched before September 14th and imported before November 14th.

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

	Sept. 10, 1942	Sept. 11, 1942	Sept. 14, 1942	Sept. 15, 1942	Sept. 16, 1942
Crops	118.3	118.3	118.3	118.3	118.3
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	142.9	142.9	142.9	142.9	142.9

	Mar. 31, 1937*	Aug. 1939	Sept. 16, 1941	Aug. 17, 1942	Sept. 9, 1942
Crops	147.9	92.2	112.9	117.8	118.3
Raw materials	207.3	122.9	170.7	172.7	172.7
Complete Index	175.1	106.4	138.8	142.7	142.9

* Highest level reached during 1932-37 recovery.

War Damage.—The Board of Trade has decided, with the approval of the Treasury, that the premium payable under the Business Scheme for the whole year to September 30, 1943, shall not exceed £1 per cent. For the period of six months up to March 31, 1943, the rate of premium will be 10s. per cent and will be payable in one sum. The rate of premium for the subsequent six months will be determined in March next and will not exceed 10s. per cent.

AMERICAN WHOLESALE PRICES

	Sept. 8, 1942	Sept. 15, 1942
GRAINS (per bushel)—	Cents	Cents
Wheat, Chicago, Sept.	122½	123½
Maize, Chicago, Sept.	83½	83½
Oats, Chicago, Sept.	50½	49½
Rye, Chicago, Sept.	65½	72½
Barley, Winnipeg, Oct.	60½	60½
MISCELLANEOUS (per lb.)—		
Cotton, N.Y., Am. mid., spot	19.46	19.81
Am. mid., Sept.	17.94	18.19
Cotton Oil, N.Y., Sept.	13.68	13.50
Moody's Index of staple commodities, Dec. 31, 1931=100 ..	232.2	232.2

BRITISH WHOLESALE PRICES

	Sept. 8, 1942	Sept. 15, 1942
CEREALS AND MEAT		
GRAIN, etc.	s. d.	s. d.
Wheat	37 11	38 3
No. 1 N.Mt. 496 lb. f.o.b. St. J.	16 1	16 1
Eng. Gaz. av. per cwt. (c)	35 6	35 5
Barley Eng. Gaz., av. per cwt. (c) ..	14 9	14 9
Oats (c) ..		
OTHER FOODS		
POTATOES (per cwt.)—		
English, new	6 0	6 9
TEXTILES		
JUTE (per ton)—		
Daisie 2/3 c.i.f. Dundee	31/10 0	33/10 0
104/40 Hessians, per yd.	s. d.	s. d.
8/40 Hessians, per yd.	0 6.50	0 6.62
10/40 Calcutta Hessians, spot, 100 yds.	0 5.04	0 5.10
71/40 ..	50 6	51 4
39 0	39 6	
MINERALS		
COAL (per ton)—	s. d.	s. d.
Welsh, best Admiralty	36 9	36 9
37 0	37 0	

(c) Average for weeks ended Sept. 5 and Sept. 12.

THE ECONOMIST

ESTABLISHED 1843

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THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1858)

CAPITAL (PAID-UP) - £3,000,000
RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST
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By Order of the Board,

F. W. CATER, Secretary.

Toll End Road, Tipton, Staffs. September 14, 1942.

Speed and Concentration

"IN the long run," Lord Keynes once said, "we are all dead." The phrase is being re-written with vastly deeper meaning in Russian blood. Stalingrad still holds. Incredibly, week after week, the Germans pay a mounting price for their drive to the Volga; the timing of their second assault upon the Soviet Union is thrown gravely awry; the winter approaches. The city and river lifeline may still be saved. It is an easy argument which simply sees the time won by Russian sacrifice being used in the mighty factories of Britain and the United States. What is a tragedy for Russia becomes in this reading a victory for the Allies: so many months gained to clench the stoutest fist in history for the eventual decisive blow.

It is an easy argument, and a fatal one. Time is being gained for what? Russia's resistance will only be repaid if the enemy is given no breathing space. For three years, Hitler has won battles by breathing spaces. After each campaign, he has remade his armies and replenished his supplies. Even last winter, when the Russian offensive, the first great counterstroke of the war, and Russian snows engaged the *Wehrmacht* through the months of winter-quartering, there was no pressure from elsewhere to prevent the Nazi Caesar from making ready, in factories and in barracks, for another year's aggression. The time won by Russian feats will be wasted, as the time won by the Poles and the Greeks was, if the power of the United Nations cannot be translated into deeds before the

German forces can turn and rest. Stalin, Mr Churchill tells, has no illusions; he and his people rely on their own achievements to save the Soviet Union. But they hope for more; they ask for more; they have been promised more.

It is fantastic for any layman to say when and where the blow can be struck which will lift the deadening weight of German might and malice from the Soviet Union. A great offensive is plainly being matured by Britain and the United States; on every front, except over Stalingrad, air supremacy is in the grasp of British and American machines and pilots, over both land and sea; and greater speed into action may not be possible. But it is more fantastic still for anyone to ignore the fact that the blow must be struck in swift time to achieve its purpose; the "too late" of tomorrow may be as futile as the "too little" of yesterday, a harsh fact, however unavoidable the delays may be. Three years ago, it was right for the Allies to make ready and plan for a long war; Germany was too strong and the Allies too weak for a decision to be looked for then. But it is one of the tragedies of history that the right policy bred the wrong psychology. It took the fall of France and the disaster of Dunkirk to break the complacency which said that time was on the Allied side and took for granted that the war could be won by ponderous waiting. The question now is whether that fateful attitude has gone. Everywhere

the question tends to be: Will Russia hold out? The battle before Stalingrad is regarded as so many weeks or months of grace won for the tremendous schemes of the Allies. Reports from Sweden say that the German drive in the east is cracking; in articles and broadcasts, German experts admit how strong Russian resistance and morale are; spectators in Britain and the United States applaud. From the United States, comes the news that ten million Americans will be under arms by the end of next year. But, victory, not time, is now the goal. Sir Samuel Hoare, back from Spain and the murmurs of Europe, knows this:

The question is not whether we shall win the war, but when we shall win it. Shall we win it in time?

To him, with the starving and suffering of Europe in his ears, the thing to be avoided at every cost is "a long-drawn-out war of European exhaustion." In 1939, a long war was the Allies' only hope; in 1942, a long war is Hitler's hope. Success, in the sense of a decisive triumph against all foes in the field, has faded from German aspirations. Success, in the sense of a stalemate with all Europe outside of Germany bled of power and hope, is now the Nazi aim. They would bargain their way out across the starved bodies of their victims. Back in England, Sir Samuel Hoare, who has learnt a deal since he went out to traffic with Laval in 1935 and proclaimed a golden age of peace in the spring of 1939, sees danger for the people of Europe in the very success of Britain's war achievements. He pleads

Do not let the excellence of your organisation, the adaptability of your people and the satisfaction for your achievements blunt the edge of your sense of critical danger or of the overriding need for maximum speed.

The people of this country are fully mobilised; they are healthy and well fed. The fear in his mind, and in the hearts of those Europeans who are now ready to give everything for freedom, is that the British people have "permanently settled down to a war dispensation." The long war has become a habit; time is still co-opted as the greatest ally; and, so long as this is so, Hitler's highest hope, which is to win by making the Allies weary of their waiting, is still alight. It has been said that the fall of Nazi Germany will begin when the certainty of defeat, at whatever date, dawns upon its leaders and people. It will not dawn while time, frustration and fatigue are still courted by his enemies.

The call now is to work, not for a long war, but for a short one.

We shall be wise to take every precaution against the delays and dissipation of effort that have so often frustrated the strategy and tactics of coalitions. Speed, speed, speed. I repeat the cry of suffering Europe. Concentration, concentration, concentration.

In these words, Sir Samuel Hoare asks for a single concerted effort to end the fight before the body and the soul of Europe have been broken.

Pages have rightly been written into the record about the endurance of bombed and weakened Britain in 1940 and 1941. But there is little comparison between even these privations and those of Russia now. In the ruins of Rostov, it is said, the contending armies fought in gas-masks because of the decaying bodies in their path and around them; only this week, after a remorseless bombardment such as none but Russian cities have so far seen, the last women and children are leaving Stalingrad. It is, of course, true that alliance is not a competition in suffering. When your friend suffers, as a wise man has pointed out, the remedy is not to suffer yourself, but to make your common enemy suffer. It is to make good Russia's ghastly ordeal and to end the spreading curse of this frightful war that speed and concentration in the attack are called for now; the speed which asks, not when the Allies will be fully ready, but when they must strike to deny the enemy, who is gambling all, his respite; the speed which brooks no peacetime irrelevancies of politics or bargaining or administrative procedure to impede its path; the concentration of land, sea and air arms which makes every Allied fighting force a decisive weapon; the concentration which allows no disagreement or misunderstanding between the Allies about the goal to seek or the hour to act; the speed and the concentration which, for a brief space in the history of nations, will dedicate a thousand million people to the single aim of saving their world, regardless of all else. It is a weakness as well as a strength that wars must be run by coalitions, of parties, of classes and of nations. There is a habit of bargaining constantly to be overcome. But now

We must [in the words of Sir Samuel Hoare] be a people in mission, showing all the fervour of crusaders, all the singleness of purpose of pioneers, all the righteous indignation of just avengers, all the speed of men and women who realise how fearful is the tragedy that delay means to the millions of Hitler's victims and to the cracking foundations of European civilisation.

This is not rodomontade; it is the civilised world's only hope.

The Defence of Turkey

THE arrival of German armies in the Caucasus foothills has given rise to fresh rumours that Hitler will shortly increase his pressure on the Turkish Government. The return to the Reich of Papen, German ambassador in Ankara, is interpreted in the same sense. If the *Wehrmacht* were to arrive on the Russo-Turkish frontier and gain control of the Black Sea ports of Tuapse and Batum, still in Soviet hands, Germany might consider the time ripe to force the foreign and economic policy of Turkey into the New Order. Much of this anxious gossip is premature and baseless; premature, because the invaders of the Caucasus still have a mountain range between them and the Turkish frontier, while their advance round the shores of the Black Sea proceeds with increasing slowness; baseless, because Turkish policy since the outbreak of war has been consistently determined and courageous.

There has not always been full appreciation in this country of Turkey's attitude. Disappointment that Turkey, although allied with Britain by the Treaty of Mutual Assistance of October, 1939, is not a belligerent has been almost as general as satisfaction that Turkey, through all the ups and downs of war, has chosen to remain an ally. This disappointment has been due mainly

to an unrealistic interpretation of the actual strategic and military possibilities of the situation in the Middle East. Turkish foreign policy is concerned to preserve the integrity of the Turkish state. The Turkish Government has no illusions about the dangers of neutrality in total war; its attitude has not been determined by the naïve optimism which believes that it is possible at will to contract out of world-wide hostility.

The present position, which finds Turkey after three years of war still an ally of Britain, still an independent national state and increasingly a hindrance to the eastward expansion of the Axis, is the product of unceasing and vigorous diplomatic struggle. The first crisis came in 1940 with the entry of Italy into the war and the subsequent collapse of France. The provision of the Treaty of Mutual Assistance between Britain, France and Turkey, that each of the signatories should come to the assistance of any attacked by a Mediterranean power, became operative when Italy attacked France on June 10, 1940. Turkey failed to implement the treaty, invoking the "escape" clause, which removed the obligation to act where this might involve armed conflict with the Soviet Union. What attitude was adopted by the USSR, then enjoying the doubtful

benefits of the Russo-German Non-Aggression Pact of August, 1939, is not known; in any case, only eight days remained between the date when the treaty became operative and the date when it might have been held to have lapsed with the end of French resistance. The most striking feature of this crisis is that, though the circumstances were totally changed by the *débâcle* in Western Europe, there was no corresponding reversal in Turkish foreign policy. Turkey did not repudiate the treaty, despite the disappearance of one of the foundation members, despite the appearance, almost overnight, of a hostile Syria on its southern frontier, and despite the existence in Britain of an acute shortage of all kinds of military equipment, which placed out of the question the delivery of munitions to Turkey envisaged by the treaty. By remaining allied with Britain during the critical days of that summer, Turkey gave the world a declaration of confidence in the eventual victory of the Allies.

The second crisis came in 1941, which saw the loss of Greece, Crete and Yugoslavia and the *Gleichschaltung* of Roumania and Bulgaria. The power of Turkey to resist German pressure was brought to a low ebb. Turkey was neither able nor willing to make a military alliance with Yugoslavia or to give aid to Greece. But the fevered diplomacy of that spring found Turkey equally unwilling to respond to the personal appeals which the Führer addressed to President İnönü. Turkey's unreadiness to join in a Balkan front can be understood. Yugoslavia had moved temporarily towards the Axis side and signed a pact with Hungary on February 27, 1941, the day after Mr Eden arrived for talks in Ankara. Without the Allied aid which could not be sent, Turkish military equipment was woefully inadequate. The tragedy of south-eastern and eastern Europe was the failure of the Allies to synchronise their resistance and pool their strength. As a result of the Balkan campaign, German armies arrived on the frontier of European Turkey. On June 18, 1941, in close analogy to the Russo-German pact, which came on the eve of the German invasion of Poland, Germany and Turkey signed a non-aggression treaty. Yet, even at this critical moment, the Turkish Government reaffirmed its alliance with Britain.

Today, in spite of the threat contained in the German advance along the northern fringe of the Caucasus, the bargaining position of Turkey has been immensely strengthened by the construction of an Allied defence bloc in the Middle East, in Syria, Iraq and Iran. It is true that, with characteristic independence, the Turks took strong exception to the occupation of Iran by British and Russian troops. It is true, too, that the flow of Allied equipment to Turkey has remained substantially below expectations, in part because of the pressing needs of Russia and Egypt, and in part because of the inadequacy of transit facilities at Alexandretta and Mersina. But Turkey is a beneficiary from the comple-

tion of the Istanbul-Baghdad railway in 1940. The transport crisis should be further eased by the opening up this summer of the new railway network linking Egypt, Palestine, Syria and Turkey; and Mr Wendell Willkie has given an assurance that American supplies under Lease-Lend, which was extended to Turkey last December, will be speeded up.

Germany has not failed to couple its bid for the political domination of Turkey with a vigorous policy designed to secure an economic stranglehold. Trade problems, including both the disposal of home grown surpluses and the import of essential supplies of grain and industrial raw materials, have represented a major issue in Turkish foreign policy since the outbreak of war. And it was a remarkable sign of Turkey's determination to remain independent that, even in the summer of 1941, shortly after the conclusion of the Treaty of Friendship with Germany, the Turkish Government should have broken off economic discussions with the German envoy, Clodius, and rejected German contracts for the construction of roads and bridges. The conclusion of the chrome agreement later in the year made the supply to Germany of 90,000 tons of chrome in each of the years 1943 and 1944—after the expiry of the existing agreement with Great Britain—contingent on the delivery of German war material, and, in particular, of an initial consignment to the value of £18 millions by the end of 1942; and the German delegates failed to secure an adjustment of the rate of exchange in their favour. By no means, military, economic or diplomatic, have the Germans succeeded yet in bringing Turkey to heel. It is well known that the proffered German bribes have included the resurrection of a greater Ottoman empire and the transfer to Turkey of Iran, Iraq, Syria and Palestine; it has even been unkindly rumoured that they included the return of the Italian Dodecanese. But these offers have made no appeal to modern Turkey, which is profoundly anti-imperialist in principle, and regards the inclusion of foreigners within its borders as a lively danger to internal stability. The German attempt to revive expansionist ambitions in Turkey has completely failed.

There has also been a not unskilful attempt on the part of the Axis to arouse anti-Soviet feeling. The new Turkish state has a tradition of friendship with Soviet Russia dating from the early twenties when both countries, outcasts in Europe, were struggling to establish a new regime. This friendship found expression in the Russo-Turkish Pact of Neutrality and Friendship of 1925. The course of the war has, however, given rise to Turkish anxiety on the score of Russian expansionist ambitions. Germany, by "revealing" alleged Russian demands to control the Straits, has sought to foster these fears. The degree of suspicion which had been aroused became apparent at the time of the Ankara bomb trial, when two Soviet citizens were sentenced to long terms

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of penal servitude. The vigour of Russia's resistance and its success in continuing to supply Turkey with oil, despite the urgency of other calls on transport and resources, have evoked considerable admiration. In this, as in other matters, Turkey appears to have weathered a crisis, and the despatch of M. Acikalin, a very high official of the Turkish Foreign Office and brother-in-law of Atatürk, appears to herald an improvement in relations with the Soviets.

Turkey faces the threat to Transcaucasia as calmly as it faced the possibility of a landslide in Egypt last June. Its poise is the poise of a nation whose foreign policy has discounted the military progress of the war several steps in advance. In the last resort, there is no

doubt that the Turks, a fighting nation, will fight for their reborn state whatever the supply position. Their armies have not lost their spirit; the years since the outbreak of war have not been wasted. So high a proportion of Turkish manpower is mobilised, that there is a shortage of agricultural labour, and it has proved necessary to ration bread. Fortifications have gone forward. Stores of military equipment are slowly being built up. Economic development in the form of irrigation schemes, mining projects and agricultural research is being pushed forward. Yet the overriding achievement has been the success of the Turks in retaining integrity and freedom in the face of heavy and consistent German pressure—with all too little material support from the Allies.

Municipal Trading

THE management of public utilities will be a leading subject in discussions about post-war policy. Lord Reith set the ball rolling in the Lords by calling for bigger and better public boards, and provoked indignant replies on behalf of private enterprise. There has been little discussion of the third type of organisation for public utilities, namely, municipal ownership and control. As to the relative merits of these three forms of organisation, there is no ready-made answer. The answer must depend, for instance, upon the functions to be performed. A public board is probably more suitable than the other two forms of organisation for the work of the Central Electricity Board or the BBC; it may be more suitable for the work of the London Passenger Transport Board or the Port of London Authority. But when it is assumed that the public board is equally appropriate to all forms of public utility, both municipal and private enterprise have reason to demur.

The public board suffers in comparison with the private company by its blunting of the normal economic incentives. Again, it lacks the quality which animates municipal enterprise, the constant pressure of democratic control. It is probably most effective and most desirable where there is a national monopoly to be managed, such as the generation of electricity or broadcasting. But, where the monopoly is of a more local nature, there is probably a great deal to be gained by retaining the advantages of private trading—or municipal trading, which is the least discussed form of public utility organisation, though by no means the least important.

It was before the last war that the dispute about the merits or demerits of municipal trading reached its height. It was not until last year that the first authoritative survey of municipal trading for a generation appeared;* and many of the facts and figures in this article are taken from Dr Finer's book. Apart from comparative rarities, such as savings banks, docks and harbours, municipal trading is mainly confined to the supply of water, gas, electricity and transport. Local authorities supply the greater part of the country's water and electricity, and run the vast majority of its tramways and trolley-buses; only in the provision of motor-buses and gas does it take second place to private enterprise.

What most people want to know about municipal trading is how it compares in efficiency with private enterprise. It must be admitted at once that economic science is incapable of supplying the answer. Public utilities are local monopolies. Neither costs nor prices are competitive in a market, and no estimates of efficiency, based upon comparative levels of costs and prices in different areas, can have even approximate validity. This holds good, whether the public utility is municipally or privately owned; and it is as difficult to compare one municipal enterprise with another as it is to compare municipal with private enterprise. Competition does, of course, exist in a limited sense between gas and electricity, between tram-

ways and buses; but this does not make it any easier to compare, say, the efficiency of one gas undertaking with that of another. Comparison between municipal and private enterprise is further complicated by their diversity of aim. In the former, social and economic functions are inextricably mingled. An uneconomic service may be provided for a social purpose, and the net revenue of a municipal undertaking can be no guide to its efficiency when it is increasingly the practice to arrange matters so as to make neither a profit nor a loss, rather than to apply profits in aid of rates. There have admittedly been great improvements in municipal cost accountancy in recent years; but, even between municipal undertakings, direct comparison can only be made on the unjustifiable assumption that they operate in similar markets.

In the absence of statistical comparison, the only possible approach, admittedly much less precise and reliable, is the direct analysis of municipal trading achievements, and investigation on these lines has led Dr Finer to the conclusion that, with very few exceptions, municipal undertakings in Great Britain are efficiently administered; and that the best municipal undertakings are as well administered as the most successful private concerns. It is, of course, true that in municipal enterprise the incentive usually provided by the profit motive is absent; but it is replaced by other incentives which, in sum, and in their own way, appear to be effective. There is the professional emulation of managers and technicians, the public spirit of councillors (a quality which should not be too lightly derided); and the vigilance of democratic control. Municipal enterprises tend to be less eager than private undertakings to risk new capital; but, despite this hesitancy, vast amounts of new capital have been risked.

There is, of course, room for improvement in many directions. One of the most important changes required to increase efficiency is a reorganisation of municipal trading areas. Circumstances vary in different areas and in different types of municipal enterprise; but in general it is becoming increasingly clear that the technical requirements of the trading services are outgrowing the existing areas of local government. The distribution of water, for instance, is still based upon the technology prevalent nearly a century ago, when local authorities were given the power to supply water, but were not obliged to take any co-operative action. As a result, water supply areas remain remarkably small, and charges for water show an excessive variation in different parts of the country. The formation of regional water committees and joint boards is encouraged by the Ministry of Health, but there is still far too little co-ordination of supply. The drive for joint boards has been obstructed by the fact that neighbouring local authorities are more inclined to compete for water supplies than to co-operate in their utilisation. There are still only 40 joint boards among municipal undertakings which number 838. When there is a complete survey of national water resources, it should be possible to plan a far more economical distribution based on larger areas of supply.

In the case of gas, there are distinct technical limits to the economies of large-scale production and distribution. Calculations have been made showing the various distances at which it becomes cheaper to send the coal for gas production by rail, rather than to pump the gas. The dominating factor is the amount of gas required; and the conclusion is that the demand has to be large and continuous for it to be economical to pump gas for long distances. There is, however, a good case for the extension of many existing supply areas; and in the inter-war years there was considerable progress along these lines, through absorption or joint operation between municipal undertakings and private companies.

The economies of large-scale production have already been obtained in the generation of electricity by the establishment of the "grid," which has reduced the number of generating areas from 600 to eight, and the number of stations from 600 to about 140. In the distribution of electricity, however, there remains a startling absence of uniformity and co-ordination. There are over 600 undertakings of varying size and efficiency. Their load factors vary from 10 per cent to over 50 per cent; some supply alternating current, and some direct; and their voltages range from 100 to 480. The conclusion that greater uniformity and larger areas are needed is generally accepted, and it has been proposed that the Electricity Commissioners should be given powers to impose compulsory amalgamations, either by transfer to an existing undertaker, transfer to a joint board, or transfer to a public board on the lines of the LPTB.

Finally, it is particularly hard to justify any arbitrary limitation to traffic areas, such as is often imposed by the

existence of municipal boundaries. Larger transport areas would permit the planning of through routes, and would obviate the necessity for keeping many separate reserve fleets of vehicles to meet peak demand. The resultant economies would often permit a cheapening of fares. Yet the extension of transport areas has been greatly obstructed both by legal restrictions and by municipal jealousies. The legal obstacles put in the way of local authorities which wished to change over from trams to buses or to enlarge their operations are notorious. Almost equally notorious are the cases of distrust between neighbouring local authorities, which have led in extreme cases to the maintenance of a difference of gauge in order to exclude each other's trams.

The difficulties which arise from the fact that local government areas are not the optimum size for the administration of the various public utilities would not be automatically solved by the simple enlargement of these areas. The optimum local government area for the operation of one utility would probably not be the optimum for another. If the only consideration were to achieve the greatest possible economies of scale, the solution would be to plan public utility areas for that purpose and to put them under the control of joint boards of local authorities and companies or under public boards. But that is not the only consideration; it is also essential to retain the element of consumer control, which has been so largely responsible for the success of municipal enterprise. Much of the opposition among local authorities to enlarged areas for municipal trading has doubtless been due to defence of a vested interest; but much is also attributable to the genuine fear that democratic control will be weakened.

NOTES OF THE WEEK

Stalingrad Holocaust

The battle for Stalingrad, considered by many military writers as hopeless for the Russians some four or five weeks ago, still rages with unabated violence; and at the moment of writing the Germans appear to be farther from conquering the Volga town than they seemed last week. Street fighting is the element in which nobody can rival the Russians—perhaps because it was in street fighting that the new Russian regime was born. Stalingrad adds a new and amazing chapter to those written at Kiev, Rostov and Sevastopol. To a point, street fighting deprives the Germans of the advantage of their marked supremacy in the air. The defence of the city has been strengthened by the reinforcements which the Russians have been able to pour into the city. These consist of Siberian troops, which shows how deeply the war has already eaten into Russia's manpower, though a reminder that these reinforcements have been drawn from western and not from eastern Siberia is a warning against Japanese presumption. But, whatever the material factors which have contributed to the strength of Stalingrad's defenders, morale has been their strongest armour. Some military writers have called the battle for Stalingrad a prestige battle. They have suggested that the Russians unduly denuded the northern Caucasus of men and weapons in order to concentrate all available reserves around "Stalin's town." It may be that prestige has influenced Russian operations past the limits dictated by sound and orthodox military judgment. But what counts is not the motive but the effect of the Stalingrad battle. The Russians have succeeded in imposing their will on the enemy; Stalingrad has become a prestige battle for the Germans, too. On the face of it, the Germans might perhaps have achieved their vital objective—the cutting of the Volga lifeline—by striking at another, less defended point on the river, south or north of Stalingrad. But they have been lured into the Stalingrad trap by the importance which the Russians have attached to the town. The Germans, too, have denuded other sectors of their reserves in order to force a decision at Stalingrad. A strange symmetry in operations has resulted on both sides: Timoshenko and von Bock have had to switch over from mobile warfare to a *guerre de matériel*; both have had to pile up and throw into the battle prodigious masses of metal; both have been able to measure their daily gains

and losses only in tens of yards. It is too early to assume that Stalingrad has really become the Verdun of the Soviet German war. But—as in Leo Tolstoy's description of 1812—morale has once again prevailed over the "rules" of warfare and over the judgment of the staff colleges.

The Slippery Slope

The facile descent continues. A vast paraphernalia of administration to reorganise coal output and to curtail coal consumption has been erected, and if anything, the coal muddle gets worse. According to the Minister of Fuel and Power, there is a deficiency of 250,000 tons a week; "if it were possible this year to run the country without railway transport, we should just about balance the deficit." There is no sign that the measures which have been taken to increase the output of the existing labour force in the existing conditions of the industry, pending reorganisation, are likely to close the gap. It may be that the miners could do more, but it is almost certain, in view of their lack of numbers, their high average age, their wartime diet and the conditions in which they work, that they cannot possibly do enough to solve the problem. Rationing, it seems, is still taboo; the politicians will not have it. So, faith is pinned on the new regional organisation by which official controllers will make the changes in methods and management which seem needed to increase efficiency and step up output. It is already plain that this scheme, which is undoubtedly based on the right lines (the lines which the reorganisation of the coal industry should have taken long ago), will not produce any appreciable results for some time to come—which means, incidentally, that it cannot be relied upon to avert a very grave situation between now and next spring. It would be some comfort if it could be felt that no step is being neglected to make the reorganisation proceed as swiftly and as effectively as possible. Not much is known about the details of its progress, but one or two signs are disturbing. A fortnight ago, Major Lloyd George announced the salaries of the regional controllers, directors, inspectors and executive officers under the scheme. The highest is £2,000 a year; the rest range between £600 and £1,250. In themselves, they are good salaries. In a war in which every individual in the community was treated as an agent of the

* "Municipal Trading." By Herman Finer. Allen and Unwin. 431 pages. 16s.

common effort and the labour market was closed, they would be more than adequate. But the war, unfortunately perhaps, is not being run that way. These salaries are to serve as a competitive inducement. If they are compared with the remuneration of coal managers in private employment, it is as plain as a pikestaff that they may attract few, if any, of the experts needed to make the scheme work properly. The managers of the large efficient concerns will not be tempted. What the Ministry will get, apart from the sacrifice which some patriotic managers will admittedly be prepared to make, will be the managers of the smaller and less remunerative collieries and underlings from the larger pits. This is an old policy. Ever since the war started, the Government has made certain by the salaries it has offered that its expert technical posts would be staffed by inferior men—or by men still in receipt of pay from their private firms, a pernicious practice. More than half the troubles of Government construction, Government production and Government inspection arise from this melancholy state of affairs. If the regional organisation is to save this country from a chronic coal crisis next year, the Ministry must secure the best men; and there are only two ways of doing this, either by conscripting them or by offering them sufficient inducement to come. The present method makes the worst of both worlds.

Variations on a Theme

It is remarkable how the magic of phrases can bedevil good intentions and commonsense. The nature and organisation of post-war trade continue to be the subject of the most extraordinary arguments. One phrase, which properly applied has a deal to commend it, is much in vogue in the process of confusing this particular issue. The phrase is *Planning for Consumption*. In the sense of taking steps to ensure that the raw materials and foodstuffs which the world's millions must have to maintain them in life and good health are made available and accessible to consumers, planning for consumption must plainly be a prime object of post-war policy. But the phrase is being used in all sorts of other senses to justify the most bizarre programmes. One correspondent in the press, for instance, believes that the way in which plentiful supplies can best be guaranteed to the people of this country is to increase the production of home-made substitutes in order to make Britain almost completely independent of imports within a decade. Forgetful of the fact that the outstanding reason why the Germans are fighting a losing battle in the economic war is that, cut off from overseas supplies, the Reich has to devote an extravagant proportion of its labour and other resources to the production of ersatz materials, this reconstructor—who is only cited because he has put frankly what so many other loose thinkers seem to believe—points with approval to the successful development of German autarky. Moreover, again like so very many other supporters of protection and self-sufficiency, he claims that this hoisting of the British people by their own shoulder-straps would cure unemployment. The truth is that full employment, which properly means the employment of all the country's resources in the most economical and efficient way possible, is treated by these worthy planners as meaning simply the employment of every available worker on any kind of work, regardless of the relative productivity of the work done. On this basis, the best economic dictator for the post-war period would be Pharaoh—with his pyramids.

Raw materials were not scarce before the war. The problem was not to secure access to raw materials, for no nation has ever refused, with only negligible exceptions, to sell its produce. The real problem is access to markets, so that manufacturers can sell their manufactures and primary producers their raw materials in the largest possible quantities, at the cheapest possible prices and with the greatest possible regularity in both quantity and price. Given this situation, or the nearest possible approximation of it, full employment might indeed be secured—employment, that is, in each country which would engage all the resources of that country, labour, plant and materials, in the most productive and efficient work. It is perfectly true that the reverse holds good: just as the freest and fullest international trade is a necessary condition of the most productive employment in each individual country, so is the maximum employment of each country's own resources a necessary foundation for the fullest expansion of world trade. The problem to be solved by the nations after the war is that of securing full trade internationally and full employment nationally by policies which are worked out in step, in order to prevent

the fluctuations and the disharmonies which chronically dislocated world economy in the pre-war decades. If planning for consumption or full employment is to be taken to mean autarky, then the world is in for an even worse time after the war than before.

Debates in India

Both the Legislative Assembly and the Council of State in India have discussed the present political impasse. The question has not been carried any nearer to a solution by their deliberations. But a number of important facts have emerged. In the first place, it is clear that the Government of India could have acted in no other way than it has done to put down disorder and to safeguard, not only India's war effort, but also all the essential services of the country, which have been assailed by a violent minority acting, somewhat ineffectively, on a plan of strategy which might have been drawn up by the Japanese themselves. Secondly, it has been made clear that those people in this country who talk as if the Congress Party represented the only opposition to the present regime in India simply falsify the facts. Almost every vocal political group in India, right wing, left wing, racial, religious or what you will, wishes to see some transfer of power and responsibility to a representative Indian assembly choosing Ministers to have charge of Indian affairs. Too much time has been spent arguing about the minutiae of the abortive discussions which Sir Stafford Cripps had when he took his offer to India. It does not matter a scrap whether Mr Gandhi was responsible directly for the refusal of Congress to accept the offer, as Sir Stafford Cripps alleges, or whether Mr Gandhi held aloof entirely from the final discussions, as Mr Rajagopalachari contends. These are matters for the historian. The real point is twofold: first, that all parties desire some change; secondly, that the parties are utterly unable to agree among themselves. And, so long as they cannot agree, it is very hard indeed to see what more the British Government or the Government of India can do, except that they can refrain from any suggestion that this or that group of Indians is holding up a settlement upon which the remaining majority would readily agree—which is patently untrue.

Bread Policy

The Government is determined to avoid bread rationing. Unfortunately, it remains very necessary to discourage bread consumption. Hence the decision to increase the price of the loaf. It is difficult to see how this policy can serve the same purpose as rationing or restriction, that is, to save shipping space by cutting down the use—and waste—of bread. Presumably the reason for this coyness is the fear of the unfortunate effects of rationing or restrictions upon morale and their bad propaganda value abroad. But the British public, whose good health and ample diet are a staple of Ministerial pronouncements, are prepared to put up with any reductions in their wartime diet, provided the sacrifices are imposed fairly and provided minimum standards of nutrition are maintained; they are tired of appeals for voluntary restriction, whether these are uttered by the Minister of Food or the Minister of Fuel. A penny on the price of a 4-pound loaf will have little effect on the consumption of the well-to-do, but it may make a difference to the budget of the poorer sections of the community. If it makes no difference to anyone, it is just pointless. The increase in price will be neither fair nor effective. Bread is the cheapest source of energy food available and, under a rationing scheme, extra rations could be provided for heavy workers, as in the case of cheese. Dietetic experts have calculated that the calorific requirements in bread of a heavy manual worker are four times as great as those of a light worker. Another measure, which could be taken, quite independently of the decision about rationing, is the tightening up of the statutory specification for the extraction of wheatmeal flour, so that it definitely includes the wheat germ; this step is essential in the interests of both nutrition and economy of shipping space. Sir E. Graham-Little recently drew attention to the need for this measure in a letter to the *Financial News*, in which he pointed out that the present specification was so loosely worded that "there was no obligation upon the millers to use all or any of the wheat germ . . . in the flour for the national loaf." When he asked the Minister of Food in Parliament last March to introduce full wholemeal bread, which would result in a further saving of 10-15 per cent shipping space, he was told that the Minister "did not consider that the shipping position required him

to prescribe production of that type of flour." Sir Ernest, remembering the delay in the adoption of the national loaf, concluded that "a strongly entrenched vested interest has achieved a degree of infiltration at the Ministry of Food which endangers . . . the impartiality of its policy in certain respects." Whether he was right or wrong in this conjecture, it is reasonable to ask now whether the present needs of the shipping position are really being met by a policy which refuses either rationing or the restriction of bread supplies, will not look at the alternative economy of mixing potato flour with wheat, and is content to tinker exasperatingly with the price of the loaf.

Evasion Tactics

As long ago as May 21st, the Labour Party pressed for an early debate on the Government's White Paper on Shipping. No debate has been held, and Members of Parliament will want a much fuller explanation of the position than Lord Leathers gave in his letter to Mr Arthur Greenwood on September 10th. The Minister's statement that the White Paper "in no way prejudices the organisation of the shipping industry after the war" might mean anything; and no indication is given of how the agreement will affect the wartime position. The Government certainly seems to have met the wishes of the shipowners—to judge from the favourable reception which the White Paper was accorded in shipping circles. Its recognition of the "necessity of maintaining the British mercantile marine . . . in a position of full competitive efficiency," an obvious truism which, as generally stated, nobody could possibly question, is taken to square with the "primary interest" of the General Council of British Shipping, described in its annual report as being "the maintenance of private enterprise as the first essential to a prosperous and efficient mercantile marine after the war." But the point is that, quite apart from the question of the future control of the shipping industry, which could after all be settled at a later date, the agreement is open to criticism on the ground that it will not ensure maximum efficiency in wartime. Ships built on Government account are to be handed over to their prospective owners after the war, according to the chronological order in which these sustained losses. In the meantime, they will be operated by the prospective owners on behalf of the Ministry, in chronological order and irrespective of the efficiency with which they can be operated—which, in war economy, should be the sole criterion.

Planning Youth

The second report of the Conservative Sub-Committee on Education has stirred far more controversy than its first one on educational aims. It deals with the 14-18 age-group, in whom it says there is for the most part a complete lack of social purpose. To develop a sense of service, in peace as well as in war, the wartime registration of boys and girls should be continued after the war and extended to the 14-year-olds. At that age, all children should automatically become members of a new Federation of Youth, under the control of the Board of Education, in which all existing youth organisations would be included. Children still at school would receive their Federation of Youth training through the schools; the rest would be dependent on the federal organisation. Ultimately, they would all be compelled to take part in some form of national or social service. It is quite true that the compulsion envisaged need not be Fascist in its implication. Children are compelled to go to school, and to compel those who leave school at an early age to perform some social service in part of their working hours would have many advantages, though if they are to be released by their employers like this they would surely be much better in day continuation schools. But what neither the Conservative Sub-Committee nor its critics seem to have grasped is that youth movements, whether voluntary or compulsory, are not in themselves a desirable aim. The existing organisations are generally admirable and do excellent work; but they are relief measures and reflect a faulty social and educational system in the same way that unemployment assistance reflects the failure of the economic system. In the *Daily Telegraph* Mr Geoffrey Faber, chairman of the committee, defended its plan by pointing to the LCC's announcement that only 17 per cent of the 16-18-year-olds who have been interviewed have since joined any youth organisation—"an intolerable state of affairs," he declared, which must be ended. Why he should so readily

assume that "the remaining 83 per cent just drift loose," when many are happily occupied in their own homes or at school and others are at evening classes, it is impossible to say. In any case, what is really intolerable and must be ended is that so many of these adolescents should work such hours that they have no energy for their own amusements, much less for national service, and, above all, that they should see the best jobs and the opportunities for advancement reserved for the few who through the accident of birth have been to a public school. No amount of planning can give youth "a social purpose" until this social barrier has been removed.

The Penitent's Seat

The two latest arrivals from Vichy to this country have been M. Pierre Brossolette and M. Charles Vallin. The first—like M. Philip and M. Gouin—is not really a newcomer to the Fighting French movement; he has belonged to that section of the French Socialist Party which fought Vichy from the first day of the Pétain regime. But M. Vallin's arrival was sensational. He was the vice-president of the *Croix de Feu* and a close political friend of de la Rocque. Until this summer he was still active in France as a supporter of Vichy; he toured the French provinces on behalf of Vichy's Ministry of Propaganda; and his articles, adorned with the familiar slogans of the *Révolution Nationale*, appeared in the *Petit Journal* not very long ago. These facts are not recalled in order to question the sincerity of M. Vallin's metamorphosis. M. Vallin can be regarded as a symptom of a political process which is going on in France—as well as in other occupied countries—a process which surpasses in its importance any personal issues. His arrival here shows that the belief in, and the hope for, an Allied victory has taken hold even in the quarters which some time ago tended to accept the quisling policy as the lesser evil. There is a conflict even inside the Vichy camp which, at the decisive moment of Allied action on the continent, may blow the Pétain regime sky high. Meanwhile, it is obvious that any man who is prepared to play his part in earnest in the struggle against the Third Reich is welcome, no matter what his past and what his previous convictions. The Fighting French have received M. Vallin in the spirit of the Bible, affirming that, in Heaven, the penitent will attract more rejoicing than the righteous who need no repentance. But when M. Vallin tries to defend the *Croix de Feu* against the accusations of fascism and collaborationism, his arguments must be greeted with more scepticism than his own arrival in England has been. Any special pleading for Colonel de la Rocque's political tendencies is quite out of place. It is well known to what extent the cadres of the *Cagoulards* have served as the backbone for the *Légion Tricolore* and for the *Service D'ordre Légionnaire*. In any case, Colonel de la Rocque's own reply to M. Vallin's utterances suffices to dispose of any doubts on this subject. M. Vallin's individual activities, which are welcome, must in no way be used as a political alibi for the *Croix de Feu*, which is beyond redemption.

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Norwegian Crisis

The crisis which is developing from the attempts to establish a corporate state in Norway may even involve the collapse of the whole Quisling house of cards. The growing opposition to the régime, shown in the increasing number of arrests, the tightening of police measures, the spread of illegal newspapers and acts of sabotage, has come to a head over the decree of September 11th, directed against the trade unions and employers' associations. This law gives the state practically unlimited powers of interference with organisations and associations; it demands the compulsory registration and state approval of such bodies and vetoes their right of dissolution; the state may order compulsory membership, with subscriptions deducted from workers' wages, and it may oblige organisations to perform other duties than those normally undertaken. The decree has resulted in mass resignations from the trade unions and the threat of resignations from the Federation of Norwegian Industries. The really significant feature of this opposition is that workers and employers are presenting a common front against the Quisling authorities. In many countries, the Nazis succeed in securing the employers' collaboration by threats of withholding contracts and by appealing to their fear of Bolshevism. In Norway, where most of the employers operate on a small scale, the spirit of independence and the tradition of free association are so strong that these considerations carry little weight. Quisling will probably be forced to climb down as completely over this issue as he has done over the Church struggle. There are, indeed, growing indications that Hitler is being compelled to cut his losses and abandon the pretence of an independent Norway participating of its own free will in the "great Germanic union." Recently, one of Quisling's own Ministers hinted that Germany might "reluctantly be forced to take over the leadership of Norway." The penetration by Germans of the Norwegian civil administration is increasing, and the visit of Dr Stuckart, who arranged the details of Austria's incorporation in the Reich, is significant. Large numbers of the National Samling's members are being sent to the eastern front, an easier way of dealing with over-enthusiastic supporters who might become an embarrassment than the methods of June, 1934. Norway's long coastline, with its bases for operations against the Arctic route, is of such importance to Nazi strategy and the need to defend it against the possibilities of an Allied invasion is so great that Germany cannot afford to keep up a façade which has only propaganda value.

Revolt in Manchester

It is not known how representative of the various sections of the cotton industry the assembly was which met in Manchester on Tuesday to condemn the Cotton Control, bell, book and candle. But the meeting certainly voiced strong views. The Cotton Control was described as "expensive, unnecessary, dictatorial, destructive of morale, a hindrance to the war effort and inimical to post-war trade recovery." The cotton industry has not had an easy time during the war. There have been shifts and changes in Government policy. There may well be legitimate grievances about this or that aspect of the working of the Control. Wartime administration is rarely without its exasperations and inefficiencies. But such language is plainly too violent to carry any conviction. To say that any of the wartime controls for the allocation and use of raw materials is unnecessary and a hindrance to the war effort is nonsense. The apportionment of essential materials and resources, and especially of imports which consume shipping space, is the necessary element in war economy. The Manchester meeting would have done very much better to have confined its clamour to a call for reforms in administration to secure greater efficiency or to suggestions for changes in policy to secure the same end. As it is, these men are condemned out of their own mouths; the sting of their choleric outburst is obviously in the tail—"inimical to post-war trade recovery." One speaker declared that the President of the Board of Trade intended to nationalise the industry after the war and that it is the duty of the industry to fight against this. This is really what the cotton industry, like the shipping industry, is worried about. They have every right to express their views, and fight their case for private enterprise in the post-war world. But it is sheer irresponsibility for them to make their apprehensions about the future of their industry the ground for such an unbridled attack on the whole principle of wartime control.

War Service Grants

In order to encourage women to enrol for war work, the Ministry of Pensions has announced concessions in the scale of war service grants for Service men's wives who take up paid employment. The war service grants scheme, which was introduced in its present form about a year ago, is designed to supplement ordinary Service allowances in cases of hardship. Some 400,000 wives, of whom 75 per cent have dependent children, at present draw grants averaging the very low amount of 12s. 7d. a week, though the maximum payable is £3. Hitherto, if a wife accepted paid employment, her grant was reduced by a cut, generally equal to the wages she earned. Under the new ruling, which comes into force immediately, the first 20 shillings of earned income of a wife with dependent children living with her will be disregarded, and the first 15 shillings in other cases. A woman with children drawing a grant of 40 shillings a week and earning 35 shillings a week would thus have her grant reduced to 25 shillings, instead of to 5 shillings, as under the old ruling. It is too early to forecast what the net effect of the concession will be, either in terms of increased cost to the Exchequer or of increased numbers of women undertaking part-time employment. It may be assumed that a fair proportion of wives receiving grants were in the past deterred from part-time work, since their earnings were offset by the reduction in their grants; but the small amount of the grant is not likely to have had any appreciable effect on the number undertaking full-time employment. There will still be a deterrent, but it will now be smaller. There may be a number of women, especially single women, in industry, whose earnings will be less than those of women receiving war service grants in addition to their earnings, who will resent the discrimination shown to Service men's wives; but the new concessions, on the whole, will be welcomed. The disadvantages of the war service grants scheme (described in *The Economist* on November 18th last year) still stand, however. It has a taint of charity, and it operates—probably necessarily—under the circumstances—the unpopular "means test"; it involves complicated machinery and investigation by Assistance Board officials. The recent additions to Service pay and allowances will not do much to alleviate genuine hardship, and it might be argued with justification that a more generous scale of dependants' allowances, at a level that ensured a decent standard of living for Service-men's families, would be a more satisfactory solution to the problem than a "dole" to those who could prove greatest need or who were not averse to receiving charity or facing investigation into their circumstances.

Women Fire-Guards

Registration of women, aged 20-44 inclusive, for fire-guard duty will begin on Saturday and go on for a fortnight. There has been little or no opposition from women to the scheme—in fact, the only clamant opposition has come from Liverpool's City Fathers, who see no reason why women should fire-watch in target areas of the city while many men who work in them leave for the country or suburbs every night. It is certainly desirable that a review of all male exemptions should be undertaken, and it is a little strange that the City of London should be excluded from compulsory fire-watching for women—though it is understood that a special Order for this area is under consideration. But even though all men who have wriggled out of fire-guard duty are brought back, it would still be necessary to obtain the services of every woman available. It is not likely, in fact, that the application of compulsion to women will greatly swell the fire-guard, since many are already doing it voluntarily and those with children under 14 living with them will be exempt. But it will mean that the existing fire-guard man-power will be more efficiently used. At present, some streets have more than a full quota of watchers, while others are deficient. The new scheme means that single women living at home, who do not come under the business premises order, will be liable to serve in any residential part of their local authority area. Moreover, it is hoped that enough men will be released by women in residential areas to form an adequate pool for guarding places like hospitals and churches and non-residential districts where there is a shortage. But what is just as important, when the fire-guard is allotted to its new station, is that it should be

properly trained and taught about the new incendiary bombs. In many places, this still seems to be hanging fire.

Battle Fronts

Neither in North Africa nor in the south-west Pacific has fighting been resumed on a substantial scale. Patrolling apart, Allied offensive activity in both areas has been mainly limited to attacks on supply lines. On the African coast, there have been daring raids on Tobruk, Barce and Benghazi, and a brilliant attack on the Italian occupied oasis of Jalo. The consistent bombing of Rommel's sea-borne reinforcements seek to impede and delay the enemy's preparations for a winter offensive. Considered as an isolated incident carried out by Allied troops based on El Alamein, more than five hundred miles away, the Salo manoeuvre was clearly the *tour de force*. In New Guinea, the next phase in the defence of Port Moresby has not yet opened. The Japanese have attempted to make little progress since crossing the Owen Stanley range. That the attack, when it comes, will be very powerful and that the need to stem it is very great has been emphasised by both Dr Evatt and Major-General G. C. Kenney, newly appointed chief of Allied air forces in the south-west Pacific. The latter paid a well deserved tribute to the work of the squadrons whose systematic attack on Japanese aircraft—including in the last week heavy raids on Buna, Lae and Salamaua—has won, for the present, Allied superiority in the air. He added the timely warning that the Japanese can, however, reinforce with comparative ease. The same is true of Rommel in the desert. In both these areas, actions in the past have tended to be predetermined by the supply position built up in the week preceding the offensive. The harassing actions now going on in Africa and New Guinea are vitally important. They may well determine the success of the attacks by which the present lulls in ground fighting will be ended.

Wages for Serfs

The occupied Russian provinces have become the most important source of additional workers for Germany's agriculture and industry. Civilians from the Ukraine, White Russia and all the provinces to the east of the Baltic countries have been officially defined as "east workers." The total number of them employed at present in Germany may have reached one million, of whom the greater number are agricultural workers. The working and living conditions and wages of these workers have now been regulated. They are housed in camps like most other foreign workers in Germany. The wage regulations issued for east workers have two main points distinguishing them from the wages paid to other workers. A special schedule fixes wages at from three-quarters to four-fifths of the wages paid to German workers for the same kind of work. The additional profit for the employer derived from this regulation is to be paid into the Exchequer as an "east workers' levy." No additional payments may be made to any east-worker. Overtime payments, or payments for work on Sundays and holidays, are prohibited. In agriculture, employers pay only one-half of the east workers' levy. The actual money an east worker is paid under these conditions is very small. It may be assumed that the greater part of the workers will be employed on work where a German worker would earn on an average Rm 26 per week. The east worker would be paid only Rm 16.8, of which Rm 10.5 will be deducted for housing and food, which leaves him Rm 6.3, or the equivalent of roughly 100 cigarettes—if any cigarettes were available. With remarkable generosity, the Nazis have opened special savings accounts for these penniless workers. It is true that some of the industrial workers may earn more money; but the general lack of civilian commodities will make it impossible to buy anything with it.

March on Madagascar

Last week, *The Economist* rashly took it for granted that the request of the Governor-General of Madagascar for an armistice would end the fighting. Germany's hold over the policy of Vichy and Vichy's representatives was under-estimated. The campaign, insofar as it can be so described, continued. The Governor, after suing for an armistice, announced that the British terms were un-

acceptable—though he must have known beforehand what the terms were likely to be. The futile prolongation of resistance in a struggle, the outcome of which cannot be in doubt, was clearly undertaken under pressure from outside. British troops landed at Tamatava, a port on the west coast, and have now entered the capital from the east and west, meeting opposition mainly in the form of road-blocks and blown-up bridges—a scorched earth policy which can do no more than delay the occupation, while it will inevitably make Madagascar an uncomfortable and stark place to live in the immediate future. Civilian life proceeded normally in the places which were occupied by the British, and it was obvious that the native population of the island had little enthusiasm for Vichy's policy of fighting to the end.

Shorter Notes

During July, detention orders were made under Regulation 18B against two persons, both British subjects but one of whom was of enemy origin. During the same month, 11 persons were released, and the total number under detention on July 31st was 520.

Royal ordnance factories, with three or four exceptions, have reduced the working hours of men and women to 60 and 55 a week respectively. Pieceworkers' wages are hardly affected, since these workers had themselves usually reduced their hours of work by staying away; but the lessening of overtime has reduced the pay of the time workers, and negotiations on this point are in progress.

The following table gives the number of civilian casualties in air-raids since September, 1939:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept. 1939-Aug. 1940..	1,407	1,624	3,031
Sept.-Dec., 1940	21,740	27,312	49,052
Total, 1941.....	20,520	21,451	41,971
1942:—			
January	112	61	173
February	22	21	43
March.....	21	13	34
April.....	938	998	1,936
May.....	399	425	824
June.....	300	337	637
July.....	411	871	1,282
August.....	403	509	912
Totals to date....	46,273	53,622	99,895

Of those killed last month, 154 were men, 184 were women, 57 were children under 16, and 8 were unclassified, compared with 167, 160, 40 and 1 respectively in July.

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AMERICAN SURVEY

The Progress of Taxation

(From our New York Correspondent)

THE extent to which the potentialities of the income tax have been exploited in the United States in the last three years, particularly with respect to incomes in the higher brackets, was scarcely realised until recently. The United States has not approached nearly as close as Britain to the point of exhausting this revenue source, but rapid progress has been made. In 1939, the top bracket began with incomes of over \$5,000,000, and the maximum rate of tax was 79 per cent. To-day, the top bracket begins at the \$200,000 level, and the maximum rate, normal and surtax combined, is 88 per cent.

Meanwhile, laudable progress has been made in broadening the income-tax base. In the Revenue Act of 1939, the personal exemption for a married couple was \$2,500, for a single person \$1,000. These exemptions were reduced to \$2,000 and \$800 respectively, in the first Revenue Act of 1940; to \$1,500 and \$750 a year later; and to \$1,200 and \$500 in the present House Revenue Bill of 1942. The effect of these changes on the tax base is brought out in the table below showing the number of tax returns filed, or to be filed, under the Revenue Bill of these years, and the number of actual taxpayers:

	Returns Filed	Taxable Returns
1939	7,500,000	3,800,000
1940	14,400,000	7,300,000
1941	22,000,000	13,000,000
1942	28,000,000	20,000,000

But the almost vertical rise in individual income-tax rates and the rapid expansion of the tax base tell only part of the story of the enormous extent to which the American Government has relied on progressive income taxes to date in the financing of the war. The National City Bank of New York has just published its semi-annual summary of the operating results of 180 of the nation's leading manufacturing corporations, and the picture presented is one of taxes rapidly outstripping earnings. Net income of these representative companies for the first half of 1942, with tax reserves set up in accord with the schedules of the House Revenue Bill, were 32 per cent under those of the corresponding period last year. For the second quarter alone, the decline was 42 per cent. During World War I, Federal taxes absorbed 23 per cent of the corporate income in 1917, 45 per cent in 1918, and 26 per cent in 1919. In the present war, this sampling indicates, they have accounted for 27 per cent in 1940, 52 per cent in 1941, and an estimated 71 per cent in 1942.

The transition of corporate tax policy from a peacetime to a wartime basis has been even more striking, if anything, than that of individual income taxes. The table below shows how the schedules have risen since the last pre-war year, 1939:

CORPORATE TAX RATES (In Per Cent.)

	Normal	Surtax	E.P.T.
1939	18	...	...
1940	24	...	25 to 50
1941	24	7	30 to 60
1942—			
Treasury	24	31	45 to 75
Ways-Means	24	16	94*
House	24	21	90

* Would be partly offset by a 14 per cent post-war rebate.

It will be seen that, where three years ago American corporations were paying only a flat normal tax of 18 per cent, they will pay in the coming year, under the provisions of the House Revenue Bill, a combined normal and surtax of 45 per cent on top of a pre-deducted excess profits tax of 90 per cent.

The Contribution of Income Taxes

What this emphasis on income taxes has meant in terms of the Budget in recent years is indicated by the accompanying table showing revenue by major sources:

	FISCAL YEARS			
	(\$ Millions)			
	1939	1941	1942	1943
Total net revenue received ..	5,165	7,607	12,799	23,050
Individual Income Taxes ..	1,029	1,418	3,070	7,951
Corporate Income Taxes ..	1,150	2,044	4,328	10,077
All income taxes	2,179	4,462	7,398	18,028
Other revenue	2,986	4,145	5,401	5,022

Progressive income taxes, individual and corporate, accounted for 42 per cent of all revenue receipts in 1939; 45 per cent in 1941; 58 per cent in 1942; and an estimated 77 per cent in 1943. The picture is even more striking when the changes by items are shown between the pre-war year 1939 and the year 1943:

	(\$ Millions)		Dollar	Percentage
	1939	1943	Increases	Increase
Total net revenue received	5,165	23,050	17,885	346
Individual Income Taxes ..	1,029	7,951	6,922	...
Corporate Income Taxes ..	1,150	10,077	8,927	...
All income taxes	2,179	18,028	15,849	695
Other revenue	2,986	5,022	2,036	68

In spite of record-breaking taxation this year, the Treasury will show a deficit by next June 30th estimated at slightly more than \$50,000,000,000. An extremely formidable task is ahead if the "inflation gap" is to be effectively closed.

American Notes

As Maine Goes ?

Maine, the only state which elects its Congressmen before November, has been won by the Republicans with 66 per cent of the votes. That hoary old proverb, "As Maine goes, so goes the nation" is now being invoked to show that a Republican landslide is imminent. Some reinforcement for this conclusion is drawn from two recent Gallup polls. The latest nation-wide poll, taken in late August, found that Republican strength in the House would have increased by 21 Representatives had the vote taken place then. This is a striking reversal since the last poll. Another survey, in New York State, gives Dewey, the Republican candidate, 54 per cent of the total vote, Bennett, the Farley Democrat, 36 per cent and the American Labour party candidate, Alfange, 10 per cent. The verdict in Maine should be taken with more than a grain of salt. Maine was one of the two states that stood by Mr Hoover in 1932, but Mr Hoover did not remain in the White House. Maine is a Republican stronghold. If Maine goes Democratic, that indeed is news, and a sign of political upheaval; if Maine goes Republican, it is merely politics as usual. The significance of the vote is lessened also by the fact that it was the lightest in twelve years. In part, this reflected the same lack of interest which has been a striking feature of the primaries; but, in part, it is also due to the migration of war workers, who by changing their address have lost the right to vote, and to the engulfment of nearly 5 million men in the Forces. This temporary disfranchisement will distort the coming election results. The poll in New York is affected by special considerations. Dewey's apparent lead is the obvious and unfortunate result of the nomination of Mr Bennett, Farley's candidate, over Senator Mead, and the consequent alienation of the Labour Party vote. There are no nation-wide indications, however, that the Republicans will gain sufficient seats in the House to enjoy a majority; and the Senate, only a third of which is up for re-election, is safely Democratic. The prospective Republican gains undoubtedly reflect a measure of dissatisfaction with

the conduct of the war and the handling of domestic issues. The prestige of Congress has never been lower, and the feeling of frustration implicates the Administration and Government agencies as well. There is a discernible estrangement between Washington and the rest of the country. The Republican theme is that they will demand more efficient prosecution of the war. But another result of Republican successes will be to strengthen the conservative cast of Congress through an alliance between Republicans and the Southern Democrats on questions of domestic policy.

* * *

Concentration of Authority

Changes in the organisation and personnel of the War Production Board, designed to increase its effectiveness and authority, are still going on. The President has given Mr Nelson full control over all aspects of the synthetic rubber programme, and has placed under his command, and that of Mr Jeffers, the Rubber Administrator, the long list of agencies which have until now been concerned in the rubber problem. They include the Rubber Reserve Company, the Office of the Petroleum Co-ordinator, the Office of Defence Transportation, and many others. At the same time, a new appointment to the Board has been announced, that of Mr Charles Wilson, president of General Electric, who will head a Production Executive Committee, and, in Mr Nelson's words, be "top production authority, with the responsibility of seeing that all programmes and schedules are met." Mr Wilson's ability is backed by no less an authority than President Roosevelt. These moves to consolidate the powers of the War Production Board make it unlikely that any substantial concession will be made to the CIO and AFL's demand that Labour representatives should be appointed to policy-making posts. Mr Nelson is convinced of the value of high production executives in his organisation, and apparently he turned down the request that union representatives should share in decisions purely as labour spokesmen. Unquestionably, there is a case for extending the field from which WPB chooses its staff; since Mr Hillman left, no high official has been drawn from the ranks of labour. What Mr Nelson has set his face against is that appointments should be made on the basis of a balance of conflicting interests, an impossible theory of organisation if decisions are to be reached quickly and carried through vigorously. The selection of union men is complicated by the existence of two great labour bodies, neither of which would step down gracefully. Some appointments will probably be made, in the interests of national unity, but whether they will carry with them much executive authority is doubtful.

* * *

Essential Work

Two steps towards the development of a national manpower policy have now been taken. To end the drain on mining and lumbering manpower in twelve Western States, the Manpower Commission has issued an order forbidding workers in these industries to change their jobs or employers to hire workers away from non-ferrous mining or lumbering without "a certificate of separation" from the United States Employment Service. At the same time, the War Production Board has ordered the establishment of a 48 hour week in the lumber industry with provision for overtime pay. As yet there is no news of any action in the field of wages, apart from the announcement that in several industries, including copper mining, wage questions will be dealt with on an industry-wide basis to iron out differences which impede production. The drain on manpower is due in part to the operation of the draft, but, in the main, to the lure of higher wages elsewhere, particularly in shipbuilding and aircraft, and to the pressure to join up voluntarily to avoid being called a slacker. The Navy still relies on voluntary recruitment, which makes Selective Service policy on deferments only partially effective. This application of the "essential work order" will not solve the manpower stringency in industries where shortages already exist. It will not put any workers back in mining or lumbering, and Mr McNutt's recent characterisation of his authority as merely the power to persuade makes it uncertain whether at present it will even be possible to enforce the order. The other step was taken when the President gave the Manpower Commission power to transfer, in accordance with priority needs, any of the over two million Federal employees. Two swallows do not make a summer, but there are signs that the days of merely talking about manpower policy are drawing

to an end. Both Mr McNutt and Mr Nelson have testified to the need for compulsion and a National Service Act. The news that married men are to be called for the Army in December is a pointer to the growing demands on manpower. The granting of compulsory powers has been held up to some extent by the argument that an effective wage policy must come first, and that an ugly situation would arise if workers were forced to move from industries with high wage scales to those with low rates of pay. But the needs of the Forces and industry will not wait for wage adjustments. Mr McNutt estimated recently that in the next year about four million new workers must be brought into industry; and the changes within industry will involve an even greater migration. It would be prudent if steps were taken now towards orderly allocation before the period of real scarcity sets in.

* * *

Relations with Russia

Mr Willkie's visit to Moscow, on President Roosevelt's behalf, shows again the Administration's realistic confidence in the Russian alliance. But a letter from Mr Thomas Lamont to the *New York Times*, rebuking American critics of Russia, draws attention to the existence of opinion which is still irreconcilably anti-Communist and anti-Russian. Mr Lamont argued that the salvation of the United Nations depends upon their standing together and pleaded for an end of the censoriousness which leads some people to attack the Soviets on account of their domestic policies.

Let us mind our own business; let us mind our own politics as we mind our own economies and our own religion. Let us be friends with our friends and do our fighting against our enemies. Russia has borne the heat and burden of the bloody battle It is our part to stand by her.

It is an impressive indication of the reversal of American opinion on Russia that the plea for more generosity comes from the chief of J. P. Morgan; but even the agony of Stalingrad is not enough to undo all the indoctrination of 20 years. The term "communist" is an easy and damning epithet; in this year's primaries, while the Russians were falling back before the Germans, O'Daniel in Texas appealed to the voters to support him against the "communist labour racketeers"—though even among the most left-wing in the trade unions there is still substantial hostility toward Russia. One must remember, too, how deeply rooted the idea of individual enterprise is in American thinking, if not always in the realities of economic organisation, and the profound influence of the churches. A great deal was accomplished by the publication of Joseph Davies's *Mission to Moscow*, and Russian heroism can leave very few unmoved. But, outside the great cities, opinion changes very slowly. The alliance with Russia unquestionably involved an enormous mental adjustment on the part of many Americans. It is not surprising if this is not yet complete.

* * *

Shorter Notes

The "trendless primaries" continue to give cause both for sorrow and rejoicing. Representative Tom Elliot, one of the most vigorous and enlightened members of the House, has been beaten in the Democratic primary in Massachusetts by ex-Governor Curley. On the credit side is the fact that Gerald L. K. Smith, one of the most notorious rabble-rousers, will not have a chance to run for Senator from Michigan.

*

The rationing of farm implements has been announced. It is not yet known how this will be done, but for some time it has been expected that the output of farm machinery, now running at about 82 per cent of normal, would be sharply cut through a scheme of concentration. Figures of 25 per cent to 50 per cent of normal production have been mentioned. Purchase of new farm machinery has been at such high levels in recent years that it is felt that farmers should be able to get along with what they have, provided production of repairs and parts continues near the current rate, which is 150 per cent of 1939-1940.

*

The War Labour Board has ruled that the wage increase granted in US Steel be retro-active to February 15th. This sweeps aside a contract which did not expire until August 9th. The Board agreed with the CIO that it would be unfair to give "Big Steel" an advantage over the little steel companies. The union also won a maintenance of membership clause.

THE WORLD OVERSEAS

Irish Population Statistics

(From Our Dublin Correspondent)

September 8th

THE General Report on the Census of Population taken on April 26, 1936, has now been published. In view of the immense amount of work involved, the completion of the Census within six years is a matter of congratulation for the statisticians responsible. As is usual with the publications of the Irish Department of Statistics, the Report is a model of its kind. There are certain differences between this Census and the previous Census of 1926. The unemployment statistics are fuller; housing densities are measured according to the "equivalent adult system"; the minimum age for statistics of occupations and industries is raised from 12 to 14 years; the Irish language statistics are compiled in respect only of persons aged 3 years and over; literacy is assumed to be universal. In all other respects, the Census is strictly comparable with the earlier Censuses by which Irish demographic history can be accurately measured back to 1841.

The population of Eire on Census night amounted to 2,968,000, compared with 2,972,000 at the time of the previous Census. It will be seen that there has been scarcely any change in the size of the population. The small decline represented a decrease in the female population; the male population actually increased. The town population increased by about 96,000, or by 10 per cent, while the rural population decreased by 99,000, or 5 per cent. Both absolutely and relatively, the increase on this occasion in the town population is the largest in any intercensal period since 1851. The City and County of Dublin increased by 81,000, or 16 per cent. The population of Dublin together with Dun Laoghaire was 507,888. Between the two Censuses, the ratio of females per 1,000 males decreased from 972 to 952. In this respect, the population of Eire is very peculiar. In every other European country, the female population is greater than the male. This abnormal sex distribution is the result of the big female emigration. In the ten years between the Censuses, the net emigration averaged about 17,000 persons per year, of whom 9,000 went to overseas countries and 8,000 to Great Britain. This volume of emigration was sufficiently great to outweigh the natural increase in the population, which continued reasonably high in spite of the falling birthrate. The volume of emigration from Ireland has been so great that it is calculated that in 1931 the number of Irish-born living abroad was equivalent to 40 per cent of the population of Ireland. In other words, for every five Irish born persons living at home, two were living abroad.

The statistics of the distribution of the population by industries shows that 49.3 per cent were engaged in agriculture; 16.6 per cent in other production; 3.1 per cent in transport and communication; 10.3 per cent in commerce

and finance; 6.3 per cent in public administration and defence; 3.6 per cent in professions; and 9.9 per cent in personal service. This is the first time at which the numbers employed in agriculture have been less than half the total employed population. In the ten years prior to the Census, the number of persons actually at work increased by 15,140, or 1.2 per cent. The decline of 37,355 in the numbers engaged in agriculture, or 5.8 per cent, was more than compensated for by the increase of 41,493, or 25.3 per cent, in the numbers engaged in non-agricultural productive industries, and of 11,002, or 2.7 per cent, in all other activities. Eire is no exception to the rule that population tends to shift from the primary to the secondary and tertiary industries. The decline in the numbers engaged in agriculture was practically confined to persons working on farms of less than 30 acres, and may be explained by emigration, internal migration from country to town, and the increased employment of rural workers on schemes of public works. The expansion of the non-agricultural productive industries was accompanied generally by a decline in the numbers engaged in small (including "one-man") firms. Despite the increase in the numbers engaged, the country is still relatively weak in the non-agricultural industries. After agriculture, the biggest productive industries are building, clothing and food. Industrial and commercial activities are very largely concentrated in Dublin.

Houses and Families

One gratifying feature in the new Census is the great improvement shown in housing conditions. In the ten years since the last Census, the number of persons per room declined from 1.19 to 1.08, and the overcrowded section of the population declined from 27.2 per cent to 22.5 per cent. Notwithstanding the great increase in population, the density in Dublin City and County decreased from 1.26 to 1.18 as a result of the increase in the number of rooms occupied from 357,000 to 449,000. There was a marked increase in the number of dwellings with four or five rooms and an almost equally marked fall in the number of very small dwellings. The average size of the private family decreased from 4.48 persons to 4.31. The diminution in the size of the average family reflects the falling fertility rate. The number of children under 15 years fell by over 47,000 and the population under 21 years by 69,000. The fall in the number of young children must be attributed to a decline in the fertility of married women, which was not the result of an increase in the average age of such women. The decline in fertility was much greater among the rural than among the town population. In rural areas, the number of children under 15 decreased by 78,000, whereas children in town areas increased by 31,000. The numbers in the age groups over 45 increased. The number of elderly persons aged 65 years or over increased by 15,000. These changes in the different age-groups have brought about a further ageing of the population, a process discernible in Irish population statistics for nearly a hundred years. Another well-marked feature of Irish demographic history, repeated in the present Census, is that the percentage of persons unmarried at the younger ages is the highest in the world. This trend has actually increased in recent years. The general impression made by these statistics is not very encouraging. A falling population, containing fewer children, more aged persons and an abnormally large number of people of both sexes unmarried, is not the most favourable environment for enterprise and progress.

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Bolivian Rubber

[FROM A CORRESPONDENT IN LA PAZ]

THE rubber shortage of the United Nations, on the one hand, and, on the other, Bolivia's attempts to offset a possible post-war slump in its mining industry by developing new industries, have focused the attention of US and Bolivian experts on the rubber-growing area of Bolivia. On July 15th this year an agreement was signed between the Bolivian Government and the Rubber Reserve Company. The company will purchase the entire rubber production of Bolivia during the next five years, except for the amounts required for domestic consumption and a maximum of 250 tons a year which Bolivia may export to its neighbours. The Rubber Reserve Company is to invest \$2,125,000 for the scientific intensification of production, the improvement of the rubber growing areas, the improvement of the living conditions of the growers, and the construction of roads.

Bolivian rubber production dates from the last decades of the nineteenth century, but after a peak year in 1917, when 5,843 tons were produced, output declined and the industry was supplanted by that of the Far East. In 1911, Brazil, Bolivia and Peru together supplied the world with about 40,000 tons of rubber; Malaya produced some 10,000 tons and Ceylon nothing at all. In 1917, the three South American countries still produced 40,000 tons, but world output had reached 256,976 tons, of which Malaya accounted for 140,000 tons and Ceylon for 30,000 tons.

The rubber-growing area of Bolivia consists of forests. Former methods of exploitation consisted simply of a complete draining of the trees. This was partly due to the labour shortage—Bolivia's recurrent problem—and to the high cost of living in those far-off regions. Without regard to the future, therefore, the trees were nearly or completely destroyed. Now, the rubber forests have enjoyed a long period of rest. If modern methods of exploitation are used, and the trees duly protected, production could reach a level higher than that of the peak years of the past. According to the experts, Bolivia could produce about 7,000 to 8,000 tons a year, provided that a sufficient labour force is available.

Although large forests of rubber trees exist, these are found in regions far removed from the centres of Bolivian economy, some of them in completely uninhabited districts where, consequently, there is no labour. Thus, new extracting and administrative centres are to be established. The Bolivian Government has to revise the concessions granted at a time when Bolivia was not exposed to the competition of the Far East; the present concession holders lack financial resources as well as experience in modern methods of exploitation. It is also necessary to grant subsidies to the navigation companies and to compel the railway, Ramore-Madeira, which is indispensable for Bolivian rubber exports, to lower its exorbitant rates.

The biggest project, however, envisages new rubber plantations, since the composition of Bolivian soil and the climate favour the quick development of plants. In Far Eastern regions, rubber can be extracted from new plants within five to eight years; in Bolivia, this period could be shortened.

French Stock Exchanges

[BY A CORRESPONDENT]

September 22nd

THE slump on the French Stock Exchanges, which began in May this year, came to an end in August and was followed by a new upward movement in the quotations of industrial shares. The slump reflected less liquid credit conditions. The political factor was—to use a term coined by the Vichy press itself—the "Second Front psychosis," and, in particular, the expectation of industrial damage from RAF raids.

These slump factors have by no means disappeared. The reversal of the trend on the Bourses during August was due to certain measures taken by the Government and to some financial operations carried out by the concerns involved. The Minister of Finance has relaxed the restrictions upon Stock Exchange activities, which had been introduced at the outbreak of the war or during the prolonged boom in 1941. Joint stock companies have now been allowed to add

their reserves to their capital by making new share issues. Fusions of various concerns have also been authorised. New issues of shares by banks are impending. A beginning has been made by the *Société Générale*, which has announced a big increase in its capital. The position of the banks is extremely favourable for such operations. Their activities and profits have greatly increased since the outbreak of the war, but the prohibitive wartime legislation until recently made any adjustment in their capital impossible. The new issues of shares are to be distributed among shareholders, either for nothing or at prices considerably below the Stock Exchange quotations; hence, the increase in demand and the rise in prices. So far, bank shares have been leading the boom, though they were previously affected by the slump to a smaller extent than most of the other shares. The comparatively strong position of the banks has also partly been due to the fact that they are less vulnerable to war damage than are industrial plants. Electricity shares have come next, because of the expected increase in the price of electricity. All equities have benefited by a substantial reduction in taxation rates and in levies on Bourse operations. Enterprises engaged in the production of substitutes and of essential scarce commodities have been exempted from excess profits tax; from now on, the exemption applies to old concerns as well as to those established after the armistice.

These measures constitute a big departure from Vichy's previous financial policy. During 1941 and the spring of 1942, its main preoccupation was to divert capital from investment in equities and to strengthen the gilt-edged market. This policy was not very successful; and the recent slump threatened to paralyse the Stock Exchanges in both sectors. The Government, therefore, decided to rescue the private capital market, hoping apparently that a revival of business in this sector will perhaps favourably affect Government securities as well.

The result of the upward tendency during August was that the general index for 300 industrial shares reached the level of May, the month in which the slump began. But, significantly enough, gilt-edged securities hardly advanced at all. It remains to be seen how long the stimulating effect of recent policy will last.



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German Europe

Food Supplies

THE cut in Germany's bread ration, which was made in April, 1942, has been fully restored. The normal consumer will again receive 79 ounces of bread each week. The meat ration for the normal consumer has been increased from 10.6 ounces to 12.3 ounces; before April 6th, the weekly meat ration was 14.1 ounces. It is a different loaf of bread that will now be supplied to the Germans. The new standard loaf contains 42 per cent of rye, 35 per cent of wheat, 20 per cent of barley, and 3 per cent of potatoes. This extraordinary mixture reveals more than any vague estimate the actual state of Germany's food situation after the third war harvest. During the winter of 1941-42, roughly 2½ million hectares of cereals were damaged, and had to be resown. According to official reports, barley was mainly used for resowing the damaged areas; and, during the harvesting period, the German people were told that barley would have to be used as a bread grain. The greater part of the barley harvest will now go into bread. In other words, the wheat and rye harvest has been a comparative failure. This makes a number of changes necessary. First, the supply of pearl barley will be smaller; secondly, the reduced ersatz-coffee ration will now be manufactured from a mixture of barley and oats; thirdly, less barley will be used for beer; and, fourthly, only very small quantities of barley can be used as feed for animals. In short, the increase in the bread ration will result in the smaller production of other foodstuffs.

Before the war, the normal procedure in compensating for a bad cereal harvest was to mix potato flour in bread. The potato situation, however, is strained. During last winter and spring, the potato ration was far below the average consumption in 1940-41. In the coming winter, a new rationing scheme will be introduced, and it is hoped to increase the weekly potato ration to 10 pounds, which is perhaps 70 per cent of the 1940-41 consumption, in spite of an increase in the acreage by 10 per cent. It may be assumed that the bread and potato rations taken together have not increased.

The increase in the meat ration can be explained by the fact that the acute lack of feeding stuffs during the spring made necessary the forced slaughter of pigs and cattle. Pork and beef have been canned, and some of the stocks will now be distributed. The situation is clear beyond any doubt. A growing percentage of feeding stuffs has to be used for human consumption, and new feeding stuffs have to be found to maintain the absolute minimum of livestock.

The lack of feeding stuffs has already forced the authorities to reduce the average weight of pigs from 150 to 100 kilogrammes. This means that, while the reduced number of pigs may be maintained, the yield of pork and lard will decrease. The tremendous effort which is going on to increase the output of oilseeds cannot compensate for this decline. The oilseed crop is very poor this year, because of extensive winter damage. Vegetables and fruit are also in short supply. Even so, the general situation is still no better than in 1917 and 1918, when Germany's food production was only roughly 50 per cent of the 1913 output.

This comparative success is largely the result of the compulsory organisation and drive for agricultural production which began in 1934. The most significant change introduced this spring is that the battle for production has become a battle for the improved collection of agricultural output. Lack of labour, machinery and fertilisers have now stopped the expansion, and particularly the intensification, of German agriculture. The extremely strained supply situation has made the requisitioning of the entire agricultural output necessary. This means a reduction in the consumption of peasants and farmers; and the Government has been forced to compensate them by increased prices and premiums. The marketing organisation has been tightened up; and the Nazi party has increased direct control over the agricultural industry by a reorganisation in the leading departments of the Ministry for Agriculture and the *Reichsnährstand*.

Germany's food requirements have steadily increased since the beginning of the war. Roughly, 6 million foreign workers and prisoners of war are now employed in Germany. Larger armies in the field require more food, and large-scale warfare means considerable wastage of foodstuffs. The question is how substantially occupied Poland and the occupied Russian provinces have contributed to

Germany's current food supplies. It may be assumed that very little food from these territories reaches Germany. The greater part of the output in Poland will probably be used for the troops on the eastern front, and the stocks found in Russia will also have been used for the supply of the army. The reconstruction of agriculture in occupied Russia seems to be proving very difficult.

South-Eastern Supplies.—The leading countries in south-eastern Europe are fully mobilised for the Russian war. Their agriculture has suffered from the lack of labour, machinery and adequate organisation. Available figures show that, during 1941, exports were very small. Winter damage to crops was slight, but cultivation plans could not be carried out in the autumn of 1941. In the spring of 1941, bad weather and widespread floods hampered activities, and the harvest was, on the average, from two to three weeks late. Estimates of acreage and crops vary considerably. All these countries reduced their bread rations during the months before the harvest. The wheat, rye and barley harvests are probably below the normal average. There are, however, some indications that the maize crop may produce average yields. Under German influence, all these countries have increased the acreage under potatoes; in Bulgaria and Roumania, it has been nearly doubled. Potatoes will be largely used as a mixture in bread. At the same time, the production of oilseeds, pulse and vegetables has been increased. In some of the countries, the labour problem was partly solved by the introduction of compulsory labour on the land on the German model; Roumania employed Russian prisoners of war. Germany delivered some tractors, and other agricultural machinery, but the total number of tractors in use in Roumania is still only some 6,000. The most remarkable experience in these countries is that the peasants actually reduced their deliveries of cereals. In Roumania, for example, cereals were used for increasing the number of livestock. Control had, therefore, to be tightened in all these countries. Threshing by flails has generally been forbidden, and threshing controllers fix the quantities to be delivered on the spot.

Deficiencies in the West.—Reports about the food situation in France are conflicting. The harvest in the occupied zone is described as good, while reports from Vichy for the unoccupied zone are pessimistic. The discrepancy between crops and deliveries has not been remedied, and all attempts to put an end to black and grey markets have so far failed. The grey market, that is to say, the direct purchases of consumers from the peasants, as distinct from the black market activities of the wholesale and retail trade in foodstuffs, is apparently on the increase. Winter damage to crops was comparatively slight in France; but the lack of labour, fertilisers and fuel is pronounced. The greatest difficulty is the shortage of feeding stuffs, and it may be assumed that further reductions in the number of pigs, cattle and sheep will be necessary.

In Belgium and Holland, crops are generally described as satisfactory. In Holland, 100,000 hectares of grassland have been ploughed. The acreage under potatoes has been increased considerably, but the expansion of the acreage under oilseeds has not been successful.

The Danish wheat crop has been a failure, but a good potato and sugar beet crop is expected. The reduction in the number of pigs has come to an end, but the slaughter of poultry is again increasing.

Europe's Food.—Germany is still the best-fed country on the continent; but, even in Germany, the diet has become extremely monotonous for the average consumer. High quality foodstuffs and fruit are reserved for the army, for the children and for sick people. During the coming winter, the civilian population will receive probably the same quantities as last year, but the quality will be inferior. Poland, occupied Russia, Greece and Norway are near actual starvation level. Everywhere in Europe, the situation is aggravated by transport difficulties, which prevent the storage of foodstuffs. The growing shortage of feeding stuffs will result in a further reduction in the number of livestock, which may mean a temporary increase in meat rations; but the vital supply of fats, of which nearly all European countries are short, will probably fall more rapidly than last year.

Russia at War

The Oil Position

THE Soviet oil industry was until recently one of the few industrial branches of the country which had sustained no serious losses in the course of this war. The loss of the Drobobitch-Borislov district in south-eastern Poland meant very little; the output of that district was below 500 thousand tons, and it was declining steadily. The first serious loss was the Maikop-Krasnodar oil district in the Northern Caucasus, with an output of more than 2.5 million tons, and a somewhat smaller refining capacity. The Third Five-Year Plan counted on an increase in the Maikop oil output to 3.7 million tons. But this figure was not reached; and complaints that Maikop was lagging behind were fairly frequent in the Soviet Press. The Maikop oil wells were developed mainly between 1914-18. In 1918, the output was 2.1 million tons, and it has remained more or less stationary since then.

The important area which has now come into the danger zone is the Grozny district. Recent data for the output of Grozny are not available. During the last decade, there were very sharp fluctuations in production. In 1931, the oil wells of Grozny yielded 8 million tons, against 2.6 millions in 1918. Later, there was a steady decline until, in 1939, the total output went down to 2.4 million tons. But the subsequent three years brought about the "recovery of Grozny," and production was reported to rise, though the target figure of 4.1 million tons for 1941 has probably not been reached. The importance of Grozny consists, perhaps, more in the quality than in the quantity of its output. Grozny has specialised in production of aviation spirit; and, since the outbreak of the war, many successful experiments in producing aviation fuel from low octane oil have been reported. Grozny is connected by pipe lines with Makhach Kala on the Caspian and Tuapse on the Black Sea; thanks to its geographical position, it was Russia's main oil exporting centre, and the decline in Grozny's output ran parallel with the decline in Russia's oil exports—from 6 million tons in 1932 to about 1 million in 1940.

The Baku district in Azerbeidjan (Transcaucasus) still holds first place among the Soviet oil producing centres. It accounted for about three-quarters of Russia's total output towards the end of the thirties. The planned development of new oil areas outside the Caucasus was to reduce Baku's share to 57 per cent. of the total. There has, however, been no evidence to show that such a reduction has really been obtained. The figure planned for Baku's output this year was 27 million tons, about 3 million tons more than actual production in 1938. It is generally believed that Baku has fulfilled the plan. The reports of the Azneft Trust, under which Baku comes, have been fairly optimistic since the outbreak of the war, though they have not contained any specific figures.

The Second Baku, as the new oil area between the Urals and the Volga is called, is still in an initial phase of development; and it is still very far from rivalling the old Baku. Its output was planned to rise to 7 million tons in 1942. Even if this figure has been reached, it is still not more than between one-fourth and one-third of Baku's output. The actual production of the Second Baku in 1939 was 2 million tons; the plan provided, therefore, for an unusually steep rise in production. The Emba oilfields to the north of the Caspian Sea were expected to yield some 2 million tons towards the end of the Third Five-Year Plan. Numerous new oil wells were also reported to have been sunk in various central Asiatic areas. Prospecting works have been carried out on a very large scale since the outbreak of the war, and new geological reserves have been discovered which, together with the reserves of the Second Baku area, are said to be much larger than those of the Caucasus. Yet, in the short run, it is not the geological reserves, but the actual output that counts. And shortage of drilling machinery and labour set fairly narrow limits to the expansion of new oil producing centres. During the last decade, oil production has lagged behind the plans, and the target figure of the Third Five-Year Plan—54 million tons—has certainly not been reached.

Most expert estimates still put the figure of the Soviet annual output at about 35 million tons.

As long, however, as Baku is intact and its oil industries are able to work, the main problem is not production, but transport. In peacetime, 40 per cent of Russia's oil was transported by rail, 35 per cent by river and sea and 25 per cent by pipe-lines. The rail, river and pipe-line connections with the Caucasus have now been cut. The Volga alone used to carry more than 7 million tons of oil. The only outlet for Baku's oil, which has still been left open, is the route across the Caspian to Chkalov and from there by the new pipe-line to Orsk behind the Urals. It is obvious that the possibility of using this route will to a large extent depend upon whether the Germans will be able to secure control over the Caspian from the air; this they may partly achieve if they reach Makhach Kala in the Northern Caucasus. The other limiting factor is the transport capacity of the Caspian tanker fleet; it is known that this fleet was greatly expanded not long before the war, but its present size is not known. Some three years ago, the total carrying capacity of the Soviet oil tankers was about 400,000 tons.

The immediate prospects for supplying the Red Army and the eastern industries with oil are, however, determined neither by production nor by transport facilities, but by the oil stocks accumulated throughout the country. It is certain that these stocks are very large, and that the principle of the widest possible dispersal has been applied to their geographical distribution.

Facilities for refining crude oil are very ample. Before the war Russia possessed 161 refineries, compared with 28 in 1918. Big new refineries have been built and completed at Saratov and Ufa as recently as 1940 and 1941, and the share of the Caucasus in Russia's refining capacity has declined from 97 per cent to about 60 per cent. The total capacity still amounts to at least 50 million tons.

An American Estimate.—The following tables contain an American expert estimate of Soviet oil production and civilian consumption during the last three years, for which no official data are available.

RUSSIA'S OIL PRODUCTION

In 1,000 barrels

	1939		1940		1941†	
	In 1,000 Barrels	As Per cent.	In 1,000 Barrels	As Per cent.	In 1,000 Barrels	As Per cent.
Kuban-Maikop (N.-W. Caucasus)	17,500	7.92	17,000	7.64	15,000	
Grozny-Dagestan (N.-E. Caucasus)	15,500	7.02	13,500	6.06	13,500	
Baku (Transcaucasus)	161,500	73.12	161,000	72.33	172,000	
Caucasus Total	194,500	88.06	191,500	86.03	200,500	82.7
Ural-Volga	14,016	6.35	18,500	8.31	27,500	11.4
Emba	3,500	1.58	3,750	1.68	4,500	1.8
Central Asia	5,600	2.53	5,600	2.52	6,000	2.5
Sakhalin	3,250	1.47	3,250	1.46	3,250	1.3
Grand Total	220,886	...	222,600	...	242,250	...

† Provisional.

RUSSIA'S CIVILIAN CONSUMPTION OF OIL PRODUCTS

In 1,000 barrels

	Motor Fuel	Kerosene	Gas and Fuel Oil	Lubricants	Miscellaneous Products	Total
1938	27,000	42,000	65,000	9,500	21,000	164,500
1939	28,000	44,000	67,000	9,600	22,000	170,600
1941	23,000	38,000	54,000	7,500	16,000	138,500

A significant fact, indicative of the Russians' confidence in their ability to defend Transcaucasus is that the oil installations of Maikop have been evacuated to Baku; and that the building of new refineries there is going on even now. One large refinery was opened in August and another is to start work in September.

THE BUSINESS WORLD

Accountants and Accounts

THERE is a very wide measure of agreement that published accounts are highly unsatisfactory, judged by any standard of modern requirements. Articles in *The Economist* on April 11th and 25th and August 8th have discussed and analysed British and American practice in this respect. It is less generally appreciated that the standard of accounts as supplied to company directorates also leaves a great deal to be desired in many cases. The fact that some concerns, which are of sufficient importance to receive direct contracts from Government Departments, are stated by the Committee of Public Accounts to be unwilling to undertake costing is suggestive. According to existing law and practice, the auditor is in no way concerned with this question of costing. He is, indeed, not obliged to take any responsibility for securing that the accounts kept by the company accountant, whether the latter is a member of one of the recognised bodies or not, do in fact put the board in possession of the information which is necessary to give a complete picture of the company's operations. He has only to say that, given the system of accounting adopted, the statement, so far as it goes, is not misleading—and not misleading to a person who understands just how much and how little it does say. While the auditor is in law the servant of the shareholder, he frequently acts, in practice, towards the board in the matter of the Companies Act very much as an income-tax consultant does towards his client in the matter of his tax claims.

Both chartered and incorporated accountants consist of three types of member grouped by function: the principals of firms of auditors; their employees—insofar as they are members; and members who are direct employees of industrial or other public companies. With a few notable exceptions in both the Institute and the Society, the first type of member is reasonably satisfied with things as they are. He has no very intimate contact with the accountants directly employed in industry or other public companies; and next to no contact with cost accountants. But it is precisely these, the accountants directly employed by industry and business and the cost accountants, who are, so to speak, in the front line. It is they who see industry working, and it is upon their work that the accounts are built—if, indeed, they do not do the whole preparation. They have, however, very little voice in the conduct of the accounting profession, which is determined by members of the councils of the two professional bodies. It is quite certain that there are wide differences of opinion among the members of each of the three types of accountants in both the Institute and the Society. Insofar as these relate to details of accounting practice, or even to general principles of the science and art of accounting, they need scarcely concern the outside world. It is, however, necessary that all should be brought to realise that there is a standard of information below which their accounts should not fall, and that the auditor in particular has a duty to see that this standard is fully maintained.

There is reason to suppose that the views of company directors also vary widely, both on the value of any but the most rudimentary accounts to the company itself and, even more, the need for telling shareholders, and therefore the public, anything beyond what is obligatory—on the most illiberal interpretation of the letter of the law. The mistrust of figures in general, and of statistics in particular, is believed to be most deeply rooted in the older industries, and it is probably also in these that the mistrust of publicity is most pronounced. These opinions are no doubt sincerely held, but they refer to a set of conditions which has now gone. There is far less room in these days for the hit or miss methods which frequently succeeded in the last century. Where scientifically marshalled facts can help, they must be used, and the ability to apply scientific standards to management necessitates the collection and publication of all relevant data.

For private enterprise to continue to "deliver the goods," capital must flow into those industries where the return is high and be withdrawn from those where it is low. Even as late as the early days of limited liability, the money needed was put up by a comparatively small class of people who lived in intimate contact with the development of industry and commerce. They knew, or could know, where their money would give the best return. For a quarter of a century at least, this state of affairs has ceased to be typical. Now, whatever method of putting up the money is adopted, the savings invested must be those of a mass of small men who need advice. The publication of frank, full and proper accounts is needed in order to disclose the position so that anyone with a modicum of grounding in accounts can grasp the facts. With all the figures available, it would no longer be possible for directorates to plough back earnings once the rate of return had fallen well below the average; and the reaping of fantastic profits, for anything but quite short periods, would also be eliminated by the rapid entry of savings into industries still under-equipped with capital. It is beyond question that such knowledge would lead to the use of savings in a manner more beneficial to the community than either the pre-war practice or the suggested alternative of a board of specialists, who, however wise and experienced, would be powerless to find their way about the ramifications of modern industry without the assistance of facts which ought to be available to all. This is the answer to those who believe that company directorates owe no duty to anyone beyond those who put up the money, or perhaps to them and their workpeople.

The desiderata are plain. For all companies in which the public is interested, directly or indirectly, a statement is needed of the original cost of fixed assets by categories, with details of provision for depreciation and all other relevant particulars, together with the source of the funds expended; possibly the allowances for income-tax purposes; particulars of the amounts due to and by the company, with any allowances; details of other floating assets; a trading account showing the sums spent on materials, wages and salaries, and gross receipts; profit and loss and appropriation accounts, showing how the net trading profit was dealt with; and a clear statement of what concerns are controlled, and how the control is exercised, and of any other substantial interests.

It is improbable that legislation alone can obtain the minimum required without demanding a great deal more than is necessary to obtain a result which would be generally acceptable. The desirable approach to the problem is that representatives of industry should agree among themselves a standard form of accounts, which would give the public the required facts. A single form should suffice for most manufacturing and extractive industry, while another could cover a large part of distributive industry. American experience shows that there is no real difficulty in obtaining the necessary elasticity. There would, doubtless, be those who would not agree; but, if they were a minority, the law could be altered to compel their adhesion after a reasonable period of trial had established a suitable standard. If a large measure of agreement to give the necessary information could not be achieved, the alternative would be for the Government Department principally concerned—presumably the Board of Trade—to exercise its powers of persuasion, as the Treasury has done in the case of financial interests. (It should be noted, however, that whereas finance has been told what business it may do and, largely, how it may do it, the suggestion here is merely that industry should be asked to render a reasonably intelligible account of what it has done.)

The preparation of published accounts of the standard required would probably mean that the general level of accounting throughout the sections of industry which are

more backward in this respect would be brought up to normal. If not, this result would have to be secured by other means, and this alone would be a tremendous gain to the industries in question, and to the country. This is not the place in which to argue the virtues of different methods of building up the balance-sheet and profit and loss account. It is, however, desirable that the accountant, like other people, should look at his job in terms of real things rather than of money.

There remains the question of the auditor, that is to say, of the first of the three types of members of the Institute and the Society. It is impossible to escape the feeling that the relations between them and accountants in industry, whether they are fellow members or not, is less than satisfactory. A much greater degree of co-operation would seem desirable. But that is by the way. For the moment, it is to the principal duty of the auditor to the shareholder and the public that attention has to be directed. Here, a radical change is needed. It must be his duty to see to it that the accounts prepared are not merely accurate, so far as they go, but that they are up to the agreed standard. Further, he must vouch for the fact that they fulfil the spirit, as well as the letter, of the law. He should be the servant of the shareholders in fact, and not only in name, and he should be barred by law from accepting any employment but that of auditor, while he retains any connection with that profession, whether through association with an auditing firm or through membership of the Institute or the Society. In fact, he should look for his rewards inside his profession

and not elsewhere and, within it, to serving society and not a particular interest. There would seem no reason to suppose that, with the enhanced status conferred by the greater responsibility, and the more stringent conditions of membership which ought to accompany it, the rewards open would not suffice to attract the right type.

Here again, if any difficulty were experienced, there would appear to be no insuperable obstacle to the creation of a new section of the Board of Trade, to be recruited in the first instance from the ranks of existing accountants, who would carry out the necessary audit in the public interest, but at the cost of the shareholders. This would, of course, remove the principal function of the Institute and Society, leaving them to train accountants for industry and applicants for the new Government service. It would, admittedly, be far preferable that accountants should agree with company directorates an acceptable minimum of information, and a demarcation of responsibility, leaving both to be given the force of law as soon as it was seen that the actual arrangement evolved was suitable.

The plan puts some increased responsibility upon company directors, and a greatly increased responsibility upon auditors. Both bodies should see to it, first that the basis of recruitment is extended; and, secondly, that the highest standard of professional conduct is maintained. If the new duties are satisfactorily performed, there should be no difficulty in securing a sufficient reward. The alternative would seem to be, for virtually the whole of both classes, merely to carry out orders from above.

Finance and Banking

Treasury Bill Tactics

Interest in the discount market has been enlivened during the past week by the unexpected development that occurred at last week's tender for Treasury bills, in the ever present struggle between the syndicate and the "outsiders." On this occasion, the syndicate, though keen to get the favourable December maturities now being tendered for, decided to drop its tender price by 1d. to £99 14s. 11d. The strategy of the move no doubt lay in the expectation that the outside houses would bid at £99 15s.—the previous week's figure—and get an inconveniently large allotment of bills. This, if it eventuated, would clear the field of some of the competition for the end of December bills to be tendered this week, and the drop in the syndicate price would, on this assumption, be a matter of *reculer pour mieux sauter*. On the whole, everything worked according to plan. The syndicate, of course, had to sacrifice the bills, and only got a 27 per cent allotment. The outsiders, almost to a man, bid at £99 15s., and got a 100 per cent allotment, which for some of them was far more than they could conveniently take up. The matter was further complicated for the outsiders by the fact that most of the clearing banks have been making up this week—a factor which had no doubt entered into the calculations of the syndicate tacticians. All this manoeuvring centred round the difference of 1d. per £100 in the price for Treasury bills, may seem much ado about nothing. But it is such minutiae that keep up what little interest and variety is still to be found in the discount market in these days. The clearing banks have been meagre buyers of bills, but despite some calling of loans connected with the monthly making-up, there has always been enough credit to go round. Needless to say, there has been no evidence of cheap outside money. The institutions concerned have had more than enough to do with their spare cash in taking up and financing their unexpectedly large bill allotment. The Bank return is again a featureless document this week, the only movements of note being a reduction of £3,271,000 in bankers' deposits, and a corresponding increase of £3,663,000 in public deposits. The note circulation shows another slight increase of £635,000 on the week.

India's Sterling Accumulation

The persistent accumulation of sterling by India, and the consequent ability of that country to repatriate between March, 1936, and January, 1943, £284,000,000 out of the £376,000,000 of sterling debt, will cause less astonishment in the light of information given this week in New Delhi about the financial relations between the United Kingdom and Indian Governments. Sir Jeremy Raisman, the Finance Member, speaking in the Assembly on his return from a

financial mission to London, announced that the following expenditure in respect of supply and defence incurred in India had been made chargeable to the United Kingdom Government:—

1939-40 actual	4 crores of rupees	(£3,000,000)
1940-41 actual	53 crores of rupees	(£40,000,000)
1941-42 revised estimates	185 crores of rupees	(£140,000,000)
1942-43 budgeted	387 crores of rupees	(£290,000,000)

This is in addition to free supplies of war materials by this country, estimated at £45,000,000 for the current financial year, and to increasing Lend-Lease aid from the United States. Moreover, no part of the expenditure incurred by using Indian troops outside India had been or will be debited to Indian revenue. With these heavy sterling grants to reinforce the considerable favourable balance of payments caused by the war, sufficient explanation is provided of the substantial net sterling income from which India has benefited since the beginning of the war.

This accumulation of sterling is still proceeding and the latest return of the Reserve Bank of India, dated September 11, 1942, shows sterling balances and securities amounting to £302,000,000. Three months ago these sterling assets amounted to £245,000,000 and six months ago to £110,000,000. There is thus an ample balance in hand to tackle the redemption of the £78,715,000 of 3½ per cent stock—the only remaining sterling loan of the Indian Government—due to take place next January. Judged by the questions showered on the Finance Member, Indian opinion is becoming greatly interested in the problem of this continued accumulation of sterling at a time when the obvious opportunities for using it in the repatriation of long-term debt have virtually disappeared. Sir Jeremy Raisman admitted that there had been some discussion in London of using part of these sterling funds to acquire shares in Indian undertakings held by British investors. With a little ingenuity, going perhaps to the lengths of mobilising Britain's direct investments in India, no difficulty should be found in providing for India every opportunity of using the sterling resources which, thanks to the war, are now flowing to that country. The difficulty will be to find the Indian investor prepared to take over this type of security.

Requisitioning of Milreis and Pesos

The Brazilian milreis and Uruguayan peso have from the beginning of this week been added to the list of "specified" currencies which, under the Defence (Finance) Regulations must, if held by residents, be

offered for sale to the Bank of England through a bank in the United Kingdom. As from last Monday, the Bank of England started quoting rates for both currencies, which previously had been quoted on the basis of the rates ruling in the domestic markets concerned. The bulk of the financial operations with Brazil and Uruguay has been conducted through special sterling accounts, and it is thus natural that the foreign exchange market between sterling and these two currencies should, in recent times, have been found in Rio and Montevideo rather than in London. This will continue to be the case. The Bank of England is not prepared to purchase blocked milreis or untransferable pesos, but details of such holdings must be notified to the Bank. The fact that the Exchange Control has seen fit to add free milreis and transferable pesos to the list of specified currencies betokens a fundamental change in the position of both currencies over the past year. Not much more than twelve months ago they were among the softest of the soft currencies. Both countries were exceptionally short of sterling, and special help had to be given in order to avoid default on commercial obligations and other sterling debt. The change in the balance of payments of both countries *vis-à-vis* the United Kingdom has been due to the twofold pressure of necessarily reduced exports from the sterling area and of increased imports of raw materials from Brazil and Uruguay. Not only have the sterling balances of both countries increased appreciably, but a number of exporters to Brazil and Uruguay have been leaving an undue part of the proceeds of their sales in the form of local currency. Any such balances must now be sold to the Bank or transferred to the appropriate special account. If milreis or peso balances are required for current commercial needs, the permission of the Bank of England must be obtained.

Northern Ireland Bills

An interesting feature of this week's tender for £900,000 of Northern Ireland three months bills was the fact that the bills were over-allotted by £10,000. The bills are payable on Friday of this week and will mature on December 29th. They are thus an exceptionally attractive maturity and were keenly competed for. Total applications amounted to £6,350,000, and the minimum successful price was £99 14s. 8d., at which tenderers obtained an allotment of 14.3 per cent. The £910,000 of bills issued went at an average rate of discount of £1 0s. 5.89d. per cent. The margin of some 3½d. above the latest Treasury bill rate is small enough to be disregarded, but if it is to be accounted for, it may be said to measure the difference between the rating of British and Northern Ireland credit and between a 91 and 95 day bill. The bills issued this week are to replace £875,000 issued last June. When this conversion is completed, the bills outstanding for the Government of Northern Ireland will be £1,410,000.

Canadian Short-Term Borrowing

The Canadian Department of Finance has recently resumed short-term borrowing from the chartered banks in order to meet current war costs in anticipation of future public borrowing. On July 29, 1942, the first sale of Dominion of Canada deposit certificates was made. This was for \$75,000,000 of 26-week certificates, bearing interest at ½ of 1 per cent. A second sale for the same amount on the same terms was made a week later. Expectations are that offerings will be made weekly for some time, until the next

large public borrowing operation. The Department of Finance in announcing these sales, drew an analogy in several respects with Treasury deposit receipts which have been issued during the present war by the British Treasury. Proceeds of the sale of deposit certificates are used by the Department of Finance to assist in meeting war expenditure, which have been estimated for 1942-43 at \$3,400 millions. In all, the total to be borrowed from the public is estimated at \$1,850 millions, a far larger sum than has previously been sold in Canada. Much of the increased tax revenue of the 1942 budget has not yet begun to be reflected in Treasury income. Borrowing from the chartered banks will bridge the gap until revenues expand commensurately with new expenditures and until a fresh war loan can be issued.

The new Canadian form of short-term borrowing from chartered banks is regarded as mildly inflationary in character in view of the circumstances in which it has been resorted to. The Canadian economy is fully expanded. Increasing shortages of manpower reflect this fact. Still greater expansion would readily be undertaken except that warning signals have been seen in shortages of labour and materials. Doubtless Treasury expenditures reflect a condition of over-expansion, and the risk of an inflationary gap appearing is seen. Under these circumstances, Treasury policy in borrowing from the chartered banks, a policy rigidly avoided except in the initial stages of the war, has attracted more than usual notice.

Inflation in Egypt

In few countries has the impact of war been left to work itself out so completely without controls as in Egypt. There is, of course, some control of the foreign exchange market, since Egypt forms part of the sterling area and the link with sterling has remained undisturbed. But there is only the hazy control of prices, profits or civilian consumption. Yet Egypt's is a war economy in the real sense of the term. The country is flooded with the additional purchasing power brought in by the large Allied armies and by such relief measures as official British purchases of the cotton crop. The rise in the note circulation has reflected this increase in the spending power, of which the counterpart has been, not so much a corresponding increase in the volume of goods available for consumption, as an increase in the country's foreign exchange reserve. It is estimated that the Egyptian banks had, between the beginning of the war and the end of 1941, accumulated the equivalent of about £80,000,000 in sterling. Without any effective scheme for the rationing of civilian consumption or fixing of prices, the latter have climbed steeply, and the index of wholesale prices is now more than twice what it was on the outbreak of the war. In consequence Egypt, to-day, presents all the contrasts of wealth and poverty, abundance and shortages, which inflation knows so well how to create. The position might have been held in check by allowing the Egyptian pound to appreciate in terms of sterling—as it would certainly have done, but for the readiness of the Egyptian banks to hold ever increasing sterling reserves. But this would have created an altogether new set of difficulties. A more direct and effective alternative would have been to subject the Egyptian economy to the rigours of wartime control which the situation called for. This may yet have to be done if social unrest is to be avoided. Present conditions may suit a small section of the population admirably; but for the masses they spell misery and resentment.

Investment

Visitors from Montreal

While it is too early as yet for optimism, it is at least good news for British holders of the stocks of the City of Montreal that Messrs Joseph O. Asselin and G. C. Marler, chairman, and acting-chairman of the Executive Committee of the City, have arrived in London for discussions with the British Stockholders Committee. At the very least, this is a recognition of the justice of the claim of the British bondholders to special treatment. This claim is, of course, based, primarily, on the terms of the loans, the specific security underlying them, and the uses for which the money was raised, uses for the most part of a definitely productive

character. The visit follows on the refusal of the general body of Canadian and United States holders to accept the original plan, not because its terms were considered unduly harsh, but because it proved impracticable to secure adequate guarantees as to the future conduct of the City's finances. This is, indeed, a crucial point without which no terms can be of any real and lasting value. It is not known in detail what the British Committee will suggest, or be prepared to accept, but any agreement must clearly take account, both of the original terms of the loans, the present state of the City of Montreal's finances, and their future prospects. There the matter may be left for the time being. But it is

an occasion for congratulation that the British Committee, starting very late, and working under the disadvantage of war conditions, should have been able to bring the City of Montreal's representatives to the point of recognising that they have special claims. It is also pertinent to recall that it was only at the end of last October, when the Committee for General Purposes of the Stock Exchange took the matter in hand, that specifically British interests achieved any organisation. Now that representatives of both sides are meeting there are much increased hopes of a reasonable settlement. It has to be remembered, however, that the actual post-settlement status of Montreal as a borrower is almost more important than the exact terms agreed.

Compensation in Burma

The report of Steel Brothers for 1941 presents a grim picture of the fate which has overtaken enterprises whose activity was centred mainly in Burma. From the standpoint of profit before tax, the company and its associates appear to have enjoyed something like a record year, and even after tax the profit is, with one exception, the highest for a decade. Preference dividends have been met in full and interims paid on preferred and deferred. As was announced some three months ago, the need to conserve cash resources makes final dividends impossible, and it is now revealed that the holders of the equity will be asked to confirm the right of the preferred shareholders to the balance of the 1941 dividend. The report states, however, that its payment must depend entirely upon the compensation received, and any earnings which may be made in the meantime. After more than fifty years of profitable trading, the company had, at the end of last year, net assets in excess of £3,250,000. It is not possible as yet to place any value on the property not in enemy hands, but it is hoped to do so in respect of the position at the end of this year. Some idea may, however, be gathered from the statement that it is hoped that the free assets will suffice to maintain the organisation of the company and to enable it to take up its activities afresh when the time comes. The deferred capital is privately held, but the market valuation of the £1 preferred ordinary is 11s. 10½d. On the vexed question of compensation, the report quotes a letter from the Burma Office, stating that it is the general aim of the Government to provide for the replacement or repair of property and goods destroyed and damaged "to such extent and over such period of time as resources permit," with the added assurance that the home Government, in conjunction with such common fund or organisation as may be established, will give what assistance it can. This seems at least to accept in principle a limited liability for physical assets, but it is not a statement which can be given a value, in terms of money, at this stage of affairs. The considerations to be kept in view are, in fact, likely to prove very complicated, and investors will have to exercise what patience they may until the possibilities are clearer than at present. Reconstruction can only be effected given extreme good will and understanding among all the United Nations.

Functions of the Auditor

According to a summary of an address to Liverpool members, Mr Richard A. Witty, president of the Society of Incorporated Accountants, touched on two points which have a distinct relevance to the matters raised in an article on page 392. He agreed that the financial audit, as known today, does not achieve all that is necessary in the way of a check on the management, and he stated that industrial accountants, that is those in the full-time employ of industrial companies, were calling for a wider view of the scope of the auditor's duty. It is a pity that a full report of the address is not as yet available, and it is to be hoped that an early opportunity will be found to expand these two points. As Mr Witty stated, the separation between industrial accountant and auditor is of comparatively recent growth, and it is quite clear that the less the latter fulfils the function of the former, the greater is the need for close co-operation between the two, and for the adequate representation of the industrial accountant in the control of the professional bodies, of which he is frequently a member. The relationship of these two groups, *inter se*, and of each to the management of companies, needs to be thrashed out, and the result must be that delimitation of responsibilities which gives the optimum service to the community.

Staveley Accounts

Despite a reduction in total disclosed profits of Staveley Coal and Iron for the year to June 30th last from £997,304 to £944,715, there is a rise in the surplus available for ordinary dividends. Current taxation requires only £347,000 against £418,581, while there is no retrospective charge. There is also a reduction from £45,587 to £9,488 in the war damage contribution. Consequently, equity earnings are up from £261,516 to £356,605, representing 10.5 against 7.7 per cent. The ordinary stockholders again receive 6½ per cent tax free and the surplus is devoted as to £50,000 to general reserve and as to £90,000 to writing down stock. After adding in £5,030 profit on the sale of capital assets, it is still possible to raise the carry forward from £133,879 to £135,466.

	Years to June 30,		
	1940	1941	1942
Profit, including dividends...	1,030,280	997,304	944,715
Taxation, current.....	364,663	418,581	347,000
Taxation, retrospective.....	91,327	32,913	...
War damage contribution....	...	45,587	9,488
Depreciation*.....	245,056	226,287	220,622
Directors' fees.....	13,043	12,419	11,000
Ordinary stock:—			
Earned.....	316,191	261,516	356,605
Paid.....	270,828	220,048	220,048
Earned %†.....	9.3	7.7	10.5
Paid %†.....	8	6½	6½

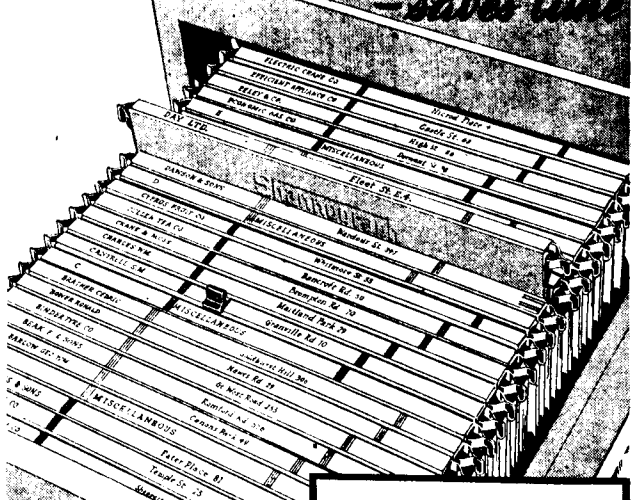
Reserve..... 100,000 50,000 50,000
Carry forward..... 142,411 133,879 135,466
* Including £10,000 to workmen's houses in 1940. † Tax free.
‡ After including £5,030 surplus on sale of Estate and Investment and deducting £90,000 written off stock values.

The balance-sheet shows a decline in net additions to capital equipment from £175,425 to £144,495. The greater part of current assets is still held in the form of debtors which stand at £1,056,948 against £1,005,255. There is an increase in stocks from £731,538 to £855,617, despite the writing off. These increases are financed by a reduction in

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the total of cash items from £692,151 to £489,125. The liabilities side shows total reserves of £2,636,295 against £2,652,861, while there is a reduction in creditors from £866,745 to £757,000. The accounts suggest that business was eminently satisfactory last year, but that there was no substantial increase in turnover. It is far from clear why it should be necessary to write down stocks of materials by some 10 per cent at a time when prices are rising, and it is to be hoped that some explanation will be provided. The £1 ordinary stock at 46s. 6d. ex dividend yields £2 15s. 11d. per cent tax free.

Sheepbridge Lower Dividend

The full accounts of Sheepbridge Coal and Iron suggest a less favourable trading experience for the year to June 30th last than Staveley Coal and Iron. Disclosed profits are struck after taxation, but this may well have been lower on the year, so that no rise in the gross figure can be necessarily argued to offset the decline in disclosed total income from £225,049 to £207,532. In view of the reduction in war damage charge from £20,000 to £5,000, and in the absence of any charge for additional taxation, against £15,000, it is possible to place £10,000 against nil to deferred repairs and still approximately maintain equity earnings. The payment is reduced from 9 to 8 per cent tax free, but this decision is no doubt due to unwillingness to trench further on the carry forward after maintaining the transfer of £20,000 to renewals.

	Years to June 30,		
	1940	1941	1942
Profits after tax	271,016	225,049	207,532
Depreciation	35,224	33,919	*48,052
Fees	4,461	4,890	4,640
Additional taxation	45,000	15,000	...
War damage	...	20,000	5,000
Debiture service	9,164	9,004	8,911
Preference dividend	16,736	15,063	13,389
Ordinary shares:—			
<i>Earned</i>	160,431	127,173	127,540
<i>Paid</i>	128,270	117,450	104,400
<i>Earned %</i> †	†12.5	9.7	9.8
<i>Paid %</i> †	†10	9	8
Reserve	20,000	20,000	20,000
Carry forward	125,459	115,181	118,321
† Tax free. ‡ On old capital.			
* Including £10,000 for deferred repairs.			

As in the case of Staveley, the balance sheet suggests a satisfactory year and a sound liquid position, but relative stability of turnover. The directors state that the collieries were fully employed last year with the exception of one which was closed last December. There are few striking changes in balance-sheet items, but the decline in creditors, including taxation and sums outstanding on railway wagons, from £695,372 to £639,939 indicates that there has been no net expansion. The rise in debtors from £549,787 to £601,636 reflects the running down of stocks, which are some £77,000 lower at £399,160. The total of cash items is also higher at £293,913 against £259,440. In this case, and in the case of Staveley, it is clear that the national interest requires a substantial expansion of output. Neither report makes any reference to the vitally important question of labour supply, and, especially for this reason, the statements of the chairmen will be awaited with interest. The £1 ordinary stock, at 41s. ex dividend, yields £3 18s. per cent tax free.

National Canning Profits

Although the gross profits and turnover of National Canning attained new records during the year to May 31st last, the net dividends received by the parent company fell from £151,943 to £88,673. Owing to inter-company transfers, there is a small credit on war damage account against a larger debit. Thanks to this, and the fact that tax and tax reserve call for only £40,982 against £101,579, the amount available is very slightly increased to £50,647. This permits the maintenance of the 10 per cent dividend on the ordinary capital and of a transfer to reserve of £15,000, leaving £11,897 to add to the carry forward. Earnings on ordinary are, in fact, 22.6 against 21.9 per cent. It is impossible to discover the total tax provision, but the parent company shows a liability of £148,560, compared with £108,300 a year before. The consolidated

balance sheet gives a combined surplus of £284,678, against £247,755, both figures including £56,333 excess of balance sheet value of shares in subsidiaries over book value of net tangible assets relating to them. The same account shows a 35 per cent expansion in total liquid assets and a rise from £408,410 to £436,322 in the excess of these over current liabilities. In war circumstances, the demand for old products expanded and new products were added. This process is to continue during the current year, which has started well with excellent crops. The company is erecting plants for dehydrating vegetables, by arrangement with the Ministry of Food and, it is to be hoped, at their expense. Hitherto, expansion has been mainly along lines which may serve the company well after the war, but some of the later developments seem of doubtful application to normal conditions. In his statement, Mr S. W. Smedley, the chairman, expresses the earnest hope that controls will be abolished as soon after the end of war as is possible, since he is unable to envisage any bureaucratic system sufficiently flexible to permit men of enterprise reasonable freedom to develop new ventures. There seems no reason, with the possible exception of a shortage of tinsplate or substitutes, why profits of the group should fall during the war, and Mr Smedley appears confident that they cannot rise under existing tax provisions. The £1 ordinary shares, at 38s. 9d. ex dividend, yield £5 3s. 3d. per cent.

Anglo-Iranian Progress

The full 1941 accounts of Anglo-Iranian show a rise in total income, after payment of the royalty to the Iranian Government, from £5,826,191 to £6,222,175. Since there is a decline in tax provision from £2,975,156 to £2,920,682, the recovery in earnings is less than the addition to the available surplus, which, as suggested in a Note on the preliminary statement in *The Economist* of September 5th, represents an earned rate of 8.3 against 6.4 per cent. The following table shows a three years' trend of profits and allocations:—

	Years ending December 31,		
	1939	1940	1941
Total income†	4,951,964	5,826,191	6,222,175
Taxation	1,955,606	2,975,156	2,920,682
Extra depreciation	571,250	625,000	625,000
Fees	10,000	9,126	9,178
Prof. dividends (gross)	1,071,234	1,071,234	1,071,234
Ordinary stock:—			
<i>Earned (gross)</i>	1,343,874	1,145,675	1,596,081
<i>Paid (gross)</i>	1,006,875	1,006,875	1,510,313
<i>Earned %</i>	7.6	6.4	8.3
<i>Paid %</i>	5	5	7½
Carry forward	962,551	1,101,351	1,187,119
† After royalty payable to Iranian Government of £2,770,814 in 1939; not disclosed in 1940 and 1941.			

The chairman, Sir William Fraser, indicates that trading profits have improved still further in the current period, on account of the relatively greater importance of Middle Eastern oil supplies since the fall of Burma. The balance sheet suggests that there has been less than the usual volume of new construction. Refinery and other installations stand at £5,813,181, more than £1,000,000 down on the year. There is also a decline in net loans to subsidiaries from £7,270,277 to £4,021,375. These contractions are responsible for a marked improvement in the liquid position of the group, net current assets increasing from £99,297 to £5,304,692. The greatest rise is in marketable investments and cash holdings, which are some £5,400,000 higher at £13,717,277. Creditors are approximately stable. The concern has so far profited substantially from its ability to maintain its oilfields and installations intact. A further increase in dividend from the present rate of 7½ per cent is not precluded, since profits in the current year show a material increase, and this possibility will interest investors in Burmah Oil, directly through its substantial interest in Anglo-Iranian, and in "Shell" indirectly through joint holdings. The £1 ordinary stock at 54s. 4½d. ex dividend yields £2 15s. 2d. per cent.

Second Alliance Earnings

Stockholders in the Second Alliance Trust Company may count themselves fortunate that, despite Japan's incursions, investment revenue for the year to July 31st is virtually unchanged at £213,436. Losses in the Far East

have been offset by gains elsewhere, but the former will bear more heavily in the current year, while the latter may not. Unfortunately, tax provision is up from £67,827 to £84,989, with the result that, after repeating the 21 per cent dividend on the ordinary capital, there is only £16,008 to add to reserve and carry forward, against the figure of £26,465 for 1940-41. Earnings on the ordinary are thus 28.6, against 33.1 per cent. Changes in the balance-sheet are of very small dimensions, investments being up by less than one per mille at £3,673,144. No formal valuation of these is attempted, but the chairman, Mr James Prain, is able to give the assurance that they are now fully represented by present-day values. No classification is given, but of total revenue last year 76 per cent was drawn from concerns situated in this country, and 13 per cent from the Americas. So far, so good. Unfortunately, the full effect of the Far Eastern losses is likely to be considerable, amounting to 2 per cent on the ordinary capital. Income from India and Ceylon, so far not in jeopardy, amounts to another 2 per cent, while Australasia and the Near East share another 2 per cent equally between them. Mr Prain is reasonably confident that none of these areas is in real danger, but he makes no mention of any possible offset to the Far Eastern losses. The price of the ordinary stock is 420 ex dividend, yielding £5 per cent.

Crosses and Winkworth Report

The full accounts of Crosses and Winkworth for the year to March 25th last contain the welcome news that, since the end of the financial year, the directors have paid off rather over half the outstanding liability for interest on the old Crosses and Heaton debenture stock. This obligation was assumed at the time of the amalgamation in 1931 and ranks prior to any payment on the 6 per cent debenture stock of the present company, which is in arrears since February 24, 1932. The payment now announced absorbs £83,773, and leaves £82,625 outstanding. The profit position of Crosses and Winkworth was fully discussed in *The Economist* of August 29th last. The chairman, Mr. Joseph R. Heaton, states that, although no provision was made for depreciation, £36,487, against £57,682, was allocated for renewals and repairs, and that capital expenditure amounted to £4,767, against £13,895. He points out that the rise in stocks from £495,156 to £548,985 is due, to the

extent of £35,260, to revaluation. The real increase accounts for the rise in creditors from £92,647 to £105,815. The decline in debtors from £129,320 to £90,600 is understated to the extent of £20,000, reserve for bad and doubtful debts transferred to profit and loss account. Cash holdings are substantially higher at £264,278, against £131,787, while £29,900 advances secured against cotton stocks have been eliminated. Thus, there is a marked improvement in the liquid position of the company. If profits can approximately be maintained in the current period, the time is not far off when a start can be made on clearing off arrears of the company's own debenture interest. The 6 per cent "Heaton" debenture stock now stands at about 89.

United British Oilfields of Trinidad

Gross receipts of United British Oilfields of Trinidad rose in 1941 from £2,963,445 to £4,072,406. This is mainly due to the fact that they are now reaping the harvest of the increase in refinery capacity during 1939, and there is a contra item of £2,302,863, against £1,411,681, cost of crude and refined oils purchased. General expenses increased by some £95,000, while taxation required £345,000, against £270,000. Thus, equity earnings rose only from £67,756 to £88,399, representing 8.7, against 6.5, per cent on the ordinary capital. The ordinary dividend is maintained at 7½ per cent, so that there is a small addition to the carry forward, which is increased from £24,266 to £37,163. The report reveals capital expenditure £532,000, £242,000 of which was drawn from capital resources. The comparable figures appear to be some £650,000. Consequently, as Sir Robert Waley Cohen points out, the liquid position has deteriorated by £230,000. Cash holdings, in particular, are down from £274,061 to £140,543. The increase in creditors from £633,174 to £922,764, while debtors have remained relatively stable, is no doubt due to the inclusion of tax reserve. Sir Robert again draws attention to the unfortunate nature of the company's EPT standard, which makes no allowance for the rapid development which was taking place during the standard years, and reiterates the opinion that the existing EPT basis not only robs shareholders of reasonable profits, but inhibits further expansion of the business. The 6s. 8d. ordinary shares, at 9s. ex dividend, yield £5 8s. 1d. per cent, less tax at approximately 6s. 7d.

Industry and Trade

The Industrial Ten Coupons

Manual workers classified under as many as fifty headings are eligible for an additional ten clothing coupons during the current rationing period. The issue is intended for those whose work imposes greater wear and tear on clothing than does sedentary or light work. The list of trades and occupations is comprehensive. It begins with agriculture and allied work, and includes workers in such trades as engineering, the production of building materials, chemicals and metals, the manufacture of pottery, rubber goods and textiles, the preparation of leather and tobacco, and the cooking, preparation and serving of foods. Office and factory cleaners, roundsmen, inshore fishermen, cinema projectionists, printers, chimney sweeps, and laboratory workers are others who qualify for the ten coupons. To make certain that no manual worker is left out, the last item in the list reads:

Workers not covered by the previous sections but engaged on essential manual operations and services in connection with any of the trades listed above.

The amount of wear and tear of clothing for those listed must vary widely. For example, those engaged in the retail distribution of food would not wear their clothes as hard as "workers engaged in shifting, loading and unloading heavy, dirty or corrosive goods." To take into account each difference in the amount of wear and tear would have presented a great burden of administrative complications. The TUC agreed to the Board of Trade's proposals that the issue of industrial coupons should be at a flat rate. Classification of manual workers into two or three grades, according to heaviness of work, might not have proved too difficult and would have been worth while if a considerable saving of coupon purchasing power could thereby have been achieved.

The distribution is to be undertaken through employers and the local offices of the Ministry of Labour, and the onus of application has been wisely placed on the eligible worker.

Fish Prices Reduced

On October 5th, when the zoning scheme for the distribution of fish comes into operation, prices of certain kinds of fish will be lower. The reductions apply to the cheaper and more common kinds, and amount to 2d. per lb. for cuts and 1d. per lb. in the price of whole fish to consumers. Producers will get 6s. 3d. a stone, instead of 6s. 6d., for whole fish in the group which includes such varieties as cod, haddock, whiting and ling. The price of hake is to be reduced from 9s. to 8s. 6d. per stone for whole fish. To encourage the beheading of hake before it leaves the ports, the price for headless fish is to be raised by 3d. to 11s. per stone. Margins are to be reduced by 4d. for first wholesalers and 2d. for second wholesalers. First wholesalers' margins will not be reduced for filleted fish. The retailers' average margin is being reduced from



4s. to 3s. 6d. per stone for most of the fish concerned and the reduction for herrings is from 3s. 5d. to 3s. The zoning scheme may have influenced the reduction in prices, which still provide a fair remuneration to fish traders. Transport costs are pooled, and financed by a levy which will be increased from 6d. to 9d. a stone for white fish. A levy of 6d. per stone is being instituted for herrings, prices of which are unchanged. The system of distribution under the zoning scheme will probably mean that hitherto unfamiliar varieties of fish will be on sale in some districts. The lower prices should provide an incentive to purchasers. The more even distribution, coupled with the relative cheapness of fish, will ensure an effective and welcome addition to the nation's diet during the coming winter.

* * *

Pooled Tea Supplies

Agreement has been reached between the British Ministry of Food, acting for the Combined Food Board of the United Nations, and the Governments of India and Ceylon by which the whole tea surplus of the two countries in 1942 will be acquired by the Ministry. The agreement must be regarded as the first of a series of annual agreements which is likely to remain a feature of the international tea trade for the duration of the war. On the basis of the agreement, the Governments of India and Ceylon have prohibited exports of tea, other than those taking place on the order of the Ministry, from September 15th. The prices to be paid by the Ministry are based on average prices in 1936, 1937 and 1938, plus an addition of 2½d. per lb. on Indian tea and of 4d. per lb. on Ceylon tea. It is expected that similar arrangements will soon be concluded with the producers of East Africa. When reference was made in *The Economist* on July 4th to the negotiations which have now resulted in an agreement, it was pointed out that the Allied Governments aimed at establishing the centralised buying and distribution of tea for all the members of the United Nations. After the loss of tea supplies from Java, Sumatra and the Far East, most of the Allied countries, including the British Dominions, encountered serious difficulties in securing their tea supplies, especially as the British Government had contracted for the great bulk of supplies in the only remaining producing areas, British India, Ceylon and British East Africa.

*

The new plan aims at sharing available supplies more equitably between the various consuming areas. At 725,000,000 to 750,000,000 lb. a year, of which close on 700,000,000 lb. are covered by the new agreements with India and Ceylon, these supplies are not much below the total consumption of the United Nations in the peak years before the war. As, however, the Ministry of Food had originally bought no less than 501,000,000 lb. of Indian, Cingalese and East African tea for United Kingdom requirements in 1942, the pooling of purchases may involve a reduction in supplies to this country. This may mean a cut in the current tea ration, although the Minister of Food has recently stated that no change in the ration will be made before Christmas. Besides assuring fairer distribution, the pooling agreement is expected to facilitate shipping arrangements and production planning and to eliminate speculation. The latter will secure a novel advantage for all partners in the pooling scheme with the exception of Britain. The British Government was able to buy its tea in the past at fixed prices based on pre-war rates, while the other Allied countries had to pay the market price forced up by the shortage. The prices to be paid under the new agreement for Indian and Ceylon tea are slightly higher than those recently paid by the British Government, but they leave buying prices far below the rates recently quoted on the free markets. British consumers will probably continue to pay the current prices for their tea, as tea is one of the commodities the home retail price of which is kept stable by Treasury subsidy. In an official list published in reply to a recent Parliamentary question it was stated that the tea subsidy in the first quarter of this year was running at an annual rate of £3,000,000. Even a slight increase in buying prices will raise this subsidy very materially, for this country is drinking as much of the world's exports of tea as the rest of the world put together.

Engineers' Wage Claims

It is understood that the Amalgamated Engineering Union's claim for a wage increase will lead to combined action by the Joint Trades Movement, and that the Confederation of Shipbuilding and Engineering Unions, together with half a dozen other small unions that originally formed part of the Joint Trades Movement and are now seeking re-affiliation, are putting forward claims similar to those of the engineers. The claim falls into three parts: first, an increase of the "all in" rate by 11s.; secondly, the restoration of the pre-1931 conditions for overtime and so on; and, thirdly, a 33½ per cent increase for time workers. There still seems to be an element of doubt whether the 11s. is to be added to the basic wage, in which case it would affect piece-work rates for the engineers, or to the "war wage." On the whole, it seems as though the latter alternative would ultimately be decided upon, for two reasons. In the first place, the arbitration tribunal is likely to regard the making of permanent as opposed to wartime changes in the conditions of an industry as outside its functions. Secondly, any addition to basic wages would introduce a complicating element between engineers, who deal with innumerable jobs all individually timed, and the shipbuilders, who have a standard piece-rate tariff for what are for the most part standard jobs. The cost of the increases claimed would certainly be substantial, but some of the estimates which have been made (one was of £200 millions a year) need not be taken seriously. About one and a half million people are affected, and a rough estimate of the increase in the weekly wages bill may be built up as follows. An increase in the "all in" rate of 11s. would cost about £800,000. There are about half a million time workers, of whom perhaps 200,000 are skilled and draw a basic wage averaging about 46s., while the rest draw a basic wage of about 33s. If the 11s. is added to the "war wage" and not to the basic wage, a 33½ per cent increase would cost about £250,000 a week for the whole group. The effect of restoring pre-1931 conditions is not so easy to calculate, but £150,000 would probably cover it. The total annual increase would, on the basis of these estimates, probably be in the neighbourhood of £60 millions.

* * *

Cotton Trade Wages

Soon after the outbreak of war, employers and trade unions in the Lancashire cotton industry agreed to base wage rates on the Ministry of Labour's cost of living index. Up to the end of last year, the total advances, including a special rise of 12½ per cent, had reached 35 per cent on the rates existing in September, 1939. During 1942, there has been no change, although early in the year the operatives made an application for an extra rise of 16½ per cent. After several meetings the claim was submitted to arbitration, and in due course the arbitrators made the award that the claim had not been established. There was a good deal of dissatisfaction amongst the workpeople at this result. Last week a meeting was held in Manchester of the Manufacturers' Association and the Operative Weavers' Amalgamation to consider an application from the trade unions for a revision of wage rates. The claim of the workpeople was for a basic rate of 9d. per hour for a weaver working a full complement of looms, plus 50 per cent of the piece-rate earnings, providing always that where existing methods of payment yield a higher wage no change should be made. An example given was that if the present wage is 45s. per week the new one would be 58s. 6d. This was arrived at as follows: 9d. per hour for 48 hours, making 36s., plus 50 per cent of the operatives' present earnings (45s.), making a further 22s. 6d. The employers promised to refer the matter to their Central Committee and to reply to the Weavers' Amalgamation as early as possible. At the beginning of this week it was officially announced that an application had been made on behalf of all the workpeople employed in the spinning branch of the industry for a rise of 15 per cent on current wages, and it is expected that a joint meeting will be held with the Master Spinners' Federation next week. The wages question, therefore, in the cotton industry is once again in the melting pot. It is urged in some quarters that the workpeople should be satisfied with the system of basing wages on the cost of living index of the Ministry of Labour. It cannot be denied, however, that the operatives feel they are not getting a fair deal compared with the higher earnings of munition workers. The whole system of wage rates in the cotton industry is out of date and sooner or later will have to be revised. Conditions now present a good opportunity for this revision to be made.

A. C. COSSOR, LIMITED

DIVIDEND MAINTAINED

The fourth ordinary general meeting of A. C. Cossor, Limited, was held, on 23rd instant, in London, Sir Louis Sterling (chairman and managing director) presiding.

The following is the chairman's statement circulated with the report and accounts:—

Ladies and gentlemen,—With your permission I will adopt the usual course of taking the directors' report and accounts as read.

The accounts as presented will, I think, give you a comprehensive view of the company's activities during the year ended March 31, 1942, and as usual we have issued a consolidated balance-sheet which shows in some detail the joint position of your company, and its wholly owned subsidiary companies.

The profit and loss account shows that the net profit on trading, including the profits of the subsidiary companies and interest and dividends receivable, amounted to £78,105. This year, it will be observed, we have shown this figure after making provision for income-tax and national defence contribution.

I ought, perhaps, to say that the company's liability for the year 1942-43, which will be based upon the figures before you, is now fully provided for. The directors feel that in these times, when taxation takes such a large toll of the company's income, it is more appropriate to show the company's earnings after making provision for this tax. The company's liability under the War Damage Act, 1941, has now been determined and full provision for this liability has been made in the accounts.

ALLOCATION OF PROFIT

The net result of the company's activities and those of its subsidiaries after providing for all outgoings amounts to £66,676. After providing for the preference dividend and the interim ordinary dividend there is an accumulated balance at the credit of the profit and loss account of £69,135, out of which the directors recommend that a final dividend on the ordinary shares of 5 per cent, free of income-tax be paid, leaving a balance of £44,135 to be carried forward to next year. We are thus able to propose a dividend equal to last year, and at the same time increase the amount carried forward on the company's profit and loss account by £14,176.

Turning to the consolidated balance-sheet there are few features of any importance to which I need draw your attention. It will be seen that the stocks on hand and work in progress show a marked increase commensurate with our activities, whereas our trade debtors have now been reduced to a minimum. It is also satisfactory to note that the company's liquid position has improved, and it will be the policy of the board to continue to strengthen the financial structure from year to year.

STERLING BATTERIES AND CABLES

With regard to our two main subsidiaries, Sterling Cables, Limited, and Sterling Batteries, Limited, I am glad to say that these two companies are operating upon a highly satisfactory level, and since the date of the balance-sheet before you the former company has acquired over 90 per cent. of the share capital of Lancashire Cables, Limited, thereby enabling it to extend its production in the high-tension cable field, which is in accordance with our policy of broadening our range of activities.

In all branches of our activities it is pleasing to observe that our work does not go without due appreciation in the quarters concerned.

I now beg to propose: "That the directors' report and accounts for the year ended March 31, 1942, be approved and adopted."

Mr. T. A. Macauley (vice-chairman) seconded the resolution and it was carried unanimously.

SECOND ALLIANCE TRUST COMPANY, LIMITED

GROSS REVENUE MAINTAINED

STATEMENT BY THE CHAIRMAN, MR JAMES PRAIN

The fifty-ninth ordinary general meeting of the Second Alliance Trust Company, Limited, will be held at the registered office of the company, Dundee, on Tuesday next.

The following statement by Mr James Prain, the chairman, has been issued to the stockholders along with the annual report, and takes the place of the usual address at the annual meeting:—

The accounts for the past year show a gross revenue similar in amount to that of the previous year. Although we have suffered some loss of income as a result of the Japanese aggressions, there have been improvements in other quarters to compensate for this, and on the whole collections have been well up to expectations. I would again remind you that with taxation at the present level increasing returns can hardly be looked for from those industries which are able to benefit from present conditions, while, on the other hand, we must expect to lose from time to time some source of income when, as a result of enemy action in one part of the world or another, or by reason of restriction of supplies or other difficulties, business can no longer be carried on. In the circumstances, therefore, I am glad to be able to submit figures which show that the position has been maintained.

THE DIVIDEND

Your directors recommend once again the payment of a dividend of 21 per cent. for the year on the ordinary stock, which calls for an appropriation of £43,750. There remains a surplus for the year of £16,008, out of which there has been

transferred £15,000 to the credit of contingent reserve fund and the remainder is added to the amount to be carried forward at the credit of revenue account. Although the proposed dividend is covered by a reasonable margin of earnings you will notice that the surplus is somewhat smaller than we have been accustomed to see in the accounts of recent years, when it was possible to set aside annually to reserves sums of £25,000 or £30,000. I regret that we are not able to continue to make transfers on so generous a scale, but with income-tax at 10s. in the £ obviously some reduction in the surplus must take place. The incidence of taxation also has borne more heavily upon us this year as we are without the temporary benefit which arises in the actual years when the standard rate is increased.

THE OUTLOOK

With regard to the outlook, it is my opinion that we shall see some contraction of revenue in the current year. Estimates are of little value at this time, but we know that some of our sources of income in the Far East have dried up for the time being and we shall now have to bear a full year's reduction on these holdings. The amount involved fortunately is not large, and the effect on revenue account in a full year will be an amount equal to rather less than 2 per cent. on the ordinary stock. You will no doubt wish me to mention how much we have at stake in those regions which from time to time may appear to be more directly threatened than are we ourselves.

(Continued on page 400.)

MORRIS MOTORS LIMITED

ANNUAL GENERAL MEETING

Accounts for year ended December 31st, 1941.

NETT PROFIT - - - - - £1,634,520
TOTAL DIVIDEND - - - - - 17½% TAX FREE

The Sixteenth Ordinary Annual General Meeting of Morris Motors Limited was held on the 18th September, 1942, at Cowley, Oxford.

The Right Hon. Viscount Nuffield, G.B.E., F.R.S., M.A., D.C.L., LL.D. (Chairman), presided, supported by the Vice Chairman, Mr. W. M. W. Thomas, and the Managing Directors, Mr. H. A. Ryder, Mr. H. Seaward and Mr. J. Shaw.

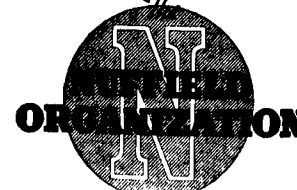
The Chairman said that following the procedure adopted last year he did not propose to present to the Stockholders a detailed account of the activities and finances of the Company and its Subsidiaries, but rather to ask the Stockholders to accept the Report and Accounts as presented.

This sum is dealt with in the following manner:—

By payment of a Final Dividend of 7½% on the Ordinary Stock, free of income tax	£198,750
By transfer to Dividend Equalisation Reserve Account	£ 25,000
and by carrying forward to next year the balance of	£231,872
	£455,622

The retiring Directors, Mr. A. E. Keen, Mr. H. Landstad, Mr. E. S. Luyks, Mr. H. C. R. Mullens, Mr. V. Riley, Mr. E. C. Ruffie, Mr. T. C. Skinner, Mr. S. G. K. Smallbone and Mr. B. G. Williams, were re-elected, and the Auditors, Messrs. Thornton & Thornton, were re-appointed.

MORRIS MOTORS LTD.
MORRIS COMMERCIAL CARS, LTD.
MECHANIZATIONS & AERO, LTD.
RILEY (COVENTRY), LTD.



THE M.G. CAR COMPANY, LTD.
THE MORRIS - OXFORD PRESS, LTD.
THE S.U. CARBURETTOR COMPANY LTD.
WOLSELEY MOTORS, LTD.

MORRIS INDUSTRIES EXPORTS, LTD.

• Official rate 29.78. † Commercial Bills.

UNCERTAINTY regarding the Tax Bill and the prospective anti-inflation measures coupled with the generally uninspiring war news continue to restrict activity on Wall Street. Some buying of low-priced stocks in particular rail issues, occasioned small advances, while sporadic support of leading stocks raised several steel and motor issues a point early this week. In general, however, the volume of trading is insufficient for the development of any pronounced movement, prices fluctuating narrowly with gains and losses evenly spread.

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

[illegible]

(a) Interim div. (b) Final div. (c) Last two yearly divs. (d) Includes 21% not subject to tax. Yield basis 25%. (e) Allowing for exchange. (f) Flat yield. (g) Annual per share. (h) Yield to average red. and 1960. (i) Based on red. at par 1946. (n) Yield 1.55% basis. (p) Yield 24% basis. (s) Yield basis 40%. † Free of Tax.

NEW YORK PRICES

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1942	+ or -	1942	+ or -
			B.A. and Pacific....	12	Sept. 19	\$1,550,000
B.A. Gt. Southern....	12	" 19	\$2,382,000	+ 150,000	24,672,000	+ 262,000
B.A. Western.....	12	" 19	\$859,000	+ 71,000	9,533,000	+ 269,000
Canadian Pacific.....	37	" 14	\$5,530,000	+ 952,000	174,818,000	+ 26,365,000
Central Argentine.....	12	" 19	\$2,164,050	+ 217,550	24,010,850	+ 2,622,050
Sao Paulo (Brazil)...	37	" 13	\$37,876	+ 5,776	1,342,611	+ 29,297

† Receipts in Argentine pesos.

	Close	Close		Close	Close		Close	Close
	Sept.	Sept.		Sept.	Sept.		Sept.	Sept.
1. Railroads.	15	22	3. Commercial	15	22			
Atlantic Coast	272	29	Am. Smelting	38	39	Int. Paper	8	72
Can. Pacific	27	27	Am. Viscon	271	271	Liggett Myers	584	584
Gr. N. & P. H.	21	22	Anacardos	25	25	Nat. Distillers	251	251
N. Y. Cent.	81	9	Beth. Steel	53	53	Nat. Steel	478	477
Pennsylvania	211	21	Briggs	18	18	Phelps Dodge	238	238
Southern	14	15	Celanese of A.	20	20	Proct. Gamble	481	491
			Chrysler	59	60	Sears Roebuck	53	53
			Distillers-Seag.	18	18	Shell Union	13	14
			Eastman Ktk.	12	12	Std. Oil N.	384	398
2. Utilities, etc.			Gen. Elec.	26	26	20th Cen. Fox	11	11
Amer. Tel.	1184	1184	Gen. Motors	57	57	United Drug	68	7
Amer. W'kks.	2	2	Inland Steel	59	61	U. S. Steel	46	45
Pac. Light	268		Int. Harvest	46	47	Westhouse El.	70	70
People's Gas	391	391	Int. Nickel	27	27	Woolworth	28	27
Stl. Cal. Ed.	174	17						
W. Union Tel.	284	28						

must be moved to their stations along the three sides of the European triangle are very great. Allied and Axis statesmen alike are agreed that shipping is the crux. Ribbentrop has tried to hearten his tired compatriots by dubbing the problem insoluble. Mr Eden and Mr Noel-Baker have pointed to the great significance of the latest convoy to Northern Russia, which carried to its destination the largest total of munitions ever carried in a single voyage—described, rather over-enthusiastically perhaps, as capable of tipping the scales on the Eastern front. The air protection of convoys is now "priority Number One." The war will be won by convoys.

But the problem of deployment is only the first of the difficulties of the United Nations. The problem of concentration is no less important—and hard. The aim is to marshal the maximum striking force at each of the chosen places of attack. Unhappily, the offensive programme has been time and again upset by the distractions and diversions which the enemy has been able to contrive, because of the initiative which the Axis aggressors were able to seize at the outset and then to hold. Norway, Greece, Crete, Pearl Harbour, the Pacific islands, Singapore, the Indies and Burma—the tale of dispersed forces and defeats is familiar. The biggest distractions are still taking their toll—in the Far East and in Egypt. General Wavell himself, while recognising that the first aim must be to defeat Hitler, emphasises the need to reconquer Burma, to aid China and to strike at the Japanese heart. He has underlined, too, the importance of the Mediterranean front, where Rommel's advance into Egypt was a grave reverse; the narrow sea is ringed with German air bases, and Allied sea power is seriously restrained by the brevity of its land flank; Rommel still stands much too close to the Nile. Both the Pacific and the Mediterranean have taken away from the other fronts great quantities of aircraft of all kinds, of fighting and transport ships and of military equipment. At a time when the mounting weight of the bombing offensive against Germany is a major factor in gaining the upper hand, only one-tenth of the Allies' operational aircraft is estimated, by some unofficial pundits, to be available to further it.

All this has meant that the Allied time-table has been continuously subjected to revisions—inevitably, but always in the wrong direction, lengthening the road to be travelled. Briefly, the goal of Allied planning is to bring the decisive output of American factories and the decisive weight of American manpower into action at the crucial points, in concentrated strength. It is a tribute to President Roosevelt and his advisers that a beginning was made as early as 1940, with training as well as with the production of supplies, at a time when the United States was still aloof, and when Britain's plight seemed almost desperate. The majestic programme then roughed out will bring ten million trained and equipped Americans into the account by the end of 1943. The question is whether the time-table can now be revised again—in the right direction, towards shortening the war.

"Next summer [Mr Willkie has proclaimed] it may be too late." His eyes, when he spoke, were fixed on the state of Russia, not on Allied problems. Those problems, of deployment and concentration, of supply, transport, manpower and training, are no less real because the urgency of Russia's needs is recognised. Nor, admittedly, does the quick and effective aid which Russia needs, and has earned numberless times over, alter in the least the difficulties of Allied action. Neither Mr Willkie nor Stalin nor M. Maisky nor any other statesman or journalist, Allied or Russian, who states the need to act before Russia is too weakened to break the eastern front, denies the problems that the Allies have to solve. The timing of the world's resistance to aggression was badly awry from the outset. China fought alone for years, while British and American supplies nourished Japan's war industries. In 1938, Munich was made by Britain and France, not by Russia. A year later, when Britain and France took their stand, Russia did not; there was only one front then. The

United States was a perennial spectator. All through the story, whether it was avoidable or not, the defender nations failed to synchronise their efforts or pool their strength. In 1941, first when Mr Churchill hailed the Russian alliance as soon as the German invasion began, and then when the United States became a fully-fledged fighting ally, a new chapter started. Now, in 1942, the practical test has arrived. The will to act together is unmistakable; the trial is whether, after the long lags of unconcerted policy in the past, truly synchronised effort at the most opportune moment, which is soon, is practically possible.

Russia's Hardships

The Russian people say that it must be possible. Mr Willkie has sketched the reasons: a third of the population of the Soviets is under German rule; Russian losses in battle are 10,000 a day; the food position in Russia is grim; there is a shortage of fuel, clothing and medical supplies. The Russian people are dedicated to victory or death; so must their Allies be. It is not simply a question of saving Russia, but of winning the war. Ribbentrop and General Wavell are agreed upon the present German aim: to paralyse Russia before the western or southern doors of German Europe can be burst open and then to hold off the other Allies. Ribbentrop, whose speech to commemorate the second anniversary of the tri-partite Axis pact was markedly defensive in character and obviously intended to reassure German disappointment, was very specific: the battle of Stalingrad will be the decisive battle of the war; attempts to create a Second Front will come too late; all Europe, including European Russia, will be at the disposal of Germany, for supplies and food; the war may be long, but it will not be lost. Hitler struck the same note in his speech in Berlin on Wednesday. The strategy he described was a plan to put Russia out of business and, by military strength and economic organisation, to make German Europe self-contained and impregnable. He did not prophesy the defeat of the Allies; instead, he mocked at their lack of success in offensive operations and forecast the certain failure of any fresh attacks they might make on the European continent. This is a far cry from the ambitions of 1939 and 1940. It mirrors the failures and frustrations which Germany, too, has suffered, and reveals the chance there is to strike at the disillusioned and weary Reich, if the blow can be struck in time. Hitler's references to "reactionaries who grumble" and saboteurs, to "crimes against the community" and assaults upon working women in the streets at night, did not suggest that the German people have gained much joy through Nazi strength; and Goebbels at the same Berlin meeting found it necessary to deny that a "palace revolution" was going on among the Nazi leaders. But the claim to have made the new German Empire safe from attack shows no less clearly the Nazi hope of survival, if the blow has to be delayed too long; and Germany's weaknesses, no less than Russia's, are an argument for the promptest deeds by Britain and the United States.

Four and a-half months ago, *The Economist* echoed a warning. Russian war potential, it was hazarded in an article on May 16th, was nearing its peak; despite the miracles of effort, endurance, ingenuity and improvisation which the Russians were performing—and are still performing—the pace must slacken, it was argued, if the campaign was allowed to drag on and on, because of material losses and physical and psychical fatigue. The warning has not been falsified; the facts set out on page 420 tell the same significant story as the speeches of Mr Willkie and the despatches of Moscow correspondents. The total coal output of the Soviets is now perhaps no more than a quarter of the production of Greater Germany. Weariness and exhaustion, due to difficult food conditions, heavy over-work and the incredible strain under which the Russian people are fighting their lone battle, must make their mark upon output and efficiency. Russia will not now be beaten. But time is not on

Russia's side, and with Russia cut off and enfeebled, the Allied road to victory would be long indeed.

These are not matters for political debate or recriminations. They are questions of hard fact. Whatever the course taken, there is no need or use for any tension of opinion to develop between the Russians and their Allies; the American press is already speaking with alarm about a "rift." Recriminations will only convert the psychological strains of total war into a crisis of confidence. It is fatuous for British propaganda in Moscow to give a picture of Britain at war which by its refinement and unreality, merely mocks the miracle of Russian resistance; it would perhaps be wise, too, for Russian propaganda to do more to dispel the impatience and suspicion which inevitably arise among the labouring and suffering Russian masses. But important as they are, these are matters of words and pictures, the small change of alliance. Deeds are the test. The real task is for the Allied

leaders and commanders to search through their schemes anew to find every possible way and means of bringing the problems of deployment and concentration in attack to an even earlier solution than scheduled. "Too much and too late," would be a sad epitaph for the greatest war effort in history. The Russians have stated their hope and belief:

the time is not far off [the chief of the Communist Party propaganda department has proclaimed] when our Allies also will send their armies into action and fight the common enemy.

The raid on Dieppe and its successors are curtain raisers which will only have their full effect in winning the war if the main drama itself can be begun before the scenery changes. Speaking of the past, Mr Eden said last weekend that "We have cause to regret just because we had not enough faith"; it must not be possible for history to say this of the present, too.

Full Employment: The Aim

IS it possible to ensure Full Employment for all those who are willing to work? Of course it is. The war has provided an additional and most emphatic proof that it is technically possible to set the whole able-bodied adult population to work. But it is doubtful whether any additional proof was needed. It has always been clear that work of some kind can be provided for all who want work, if its provision is given a sufficient primacy over the other objects of state policy. The catch, of course, is in the proviso. It has always been known that Full Employment could be had at a price. What has once more been proved in the last three years is that it can always be had at the price of war. But can it be had cheaper? In particular, is it possible to secure Full Employment at a price that a peaceful democracy can pay—that is, without war or dictatorship? There can hardly be a more important question or one which the prophet, if he is an honest man, will answer with more hesitation. Yet the whole prospect of the next few decades turns on the answer. For if one thing has been made abundantly clear, it is that the mass of people in every country rate Full Employment, and the individual security it brings, higher than almost any other political object. If liberal democracy is not compatible with Full Employment, then it is liberal democracy that will go; and plans for the future will have to be laid on the assumption that the principles of Fascism (or conceivably of authoritarian Communism) will win the peace, whoever wins the war. Clearly it is a question that deserves the closest examination.

What, in a peace-time context, is Full Employment?

Full Employment does not mean the total disappearance of the unemployed. As usually understood, it is quite compatible with the continuance of "normal minimum unemployment"—that is, the stage army of men and women who are changing their jobs and drawing benefit for a week or two in the interval. Indeed, it is imperative for the elasticity of the national economy that there should be a substantial degree of mobility of labour, and not every change of job can be expected to be accomplished between night and morning. Full Employment is also compatible with a certain degree of seasonal employment. This is not to say that seasonal unemployment is not an evil which should be eradicated if at all possible—but its causes are different from those of mass unemployment, and the cure must also be devised on special lines. There is another kind of special unemployment which cannot be excluded so easily. This is the so-called "structural unemployment," the unemployment that creates Depressed Areas. To put this on one side and to say that there can be Full Employment and Depressed Areas at the same time is to invite ridicule; yet its origins are special. Britain might have been wildly prosperous in the 1920's—and there would still have been unemployment in the cotton towns of Lancashire and in the mining valleys of South Wales. But there would have been less unemployment, and all but the old and the immobile could have found work elsewhere. It would be a fatal mistake to try to argue away the aspect of unemployment that has bitten deepest into the national memory; perhaps the best working definition



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of Full Employment is to say that it will have been attained when (a) the register of unemployed does not exceed about half a million, and when (b) any pockets of continuing unemployment that may arise in particular areas or industries are quickly drained away. If such a state would not represent perfection, it would at least be a great improvement on the 1920's and 1930's and—what is all-important—a solid enough basis to enable the democratic community to turn its attention to other matters, such as life, liberty and the pursuit of happiness. In essence, the problem of Full Employment is the problem of the trade cycle.

Within the last few years there has been a notable confluence of opinion on the causes of cyclical depressions of trade. The old joke about the inability of economists to agree may, or may not, have been justified in the past. It is certainly untrue to-day. Virtually every serious economist, in every country, is agreed on the main outlines of the diagnosis, and there is even a substantial measure of agreement as to the cure.* A depression occurs when the community spends less money than is needed to buy the whole of the output of which it is capable. There is no permanent and inescapable tendency for the community to behave in this way (which is the mistaken assumption that the cranks make). The present is plainly a period when the community is manifestly trying to spend more than is required to purchase the whole of the output of which it is capable. There are very few commodities to-day for which there is not an urgent, clamant market; and there have been similar periods of all-but-universal seller's markets in time of peace as well as in war. But from time to time communities do get into depressions; they do spend less than is required to buy their output. When that happens, it is because, in the jargon that is now familiar, Savings

* A book which is at once a striking illustration of the degree of international agreement and an able exposition of the thesis is Professor Alvin Hansen's "Fiscal Policy and Business Cycles" (Allen and Unwin). Professor Hansen writes in an American context, and he lays undue emphasis on one aspect of the matter—namely, the invigorating effects of a Budget deficit. This leads him to misunderstand recent British economic history. But, on the main essentials of policy, his book shows how completely, within the past twelve years, the debt of American, as of British, thought has been diverted into new channels.

South Sea Islanders

PEARL HARBOUR, Midway, Guam, New Guinea, Papua, the Solomon Islands—all these names have been forced on the attention of the public by the course of the Pacific war. But of the places themselves, and particularly of their inhabitants, very little has been heard, and the public may be forgiven if it continues to draw its impressions of them from Hollywood and Dorothy Lamour.

The literature on the South Seas is certainly rich enough. In a book that has just been published*, the author, Dr F. M. Keesing—professor of anthropology at the University of Hawaii—gives a bibliography listing nearly 400 publications, and even this is described as "a selected bibliography" covering for the most part works of the last two or three decades alone. Dr Keesing himself has sifted the enormous mass of information available, and, with the help of his own first-hand study of the islands, which extends over twenty years, he has picked out the main trends in the life of their inhabitants and embodied them in a book, readable and informative, which might well serve as a model for all social surveys of the kind.

The South Seas in the Modern World. By Dr F. M. Keesing. George Allen and Unwin, Ltd. 391 pages. 16s. net.

are in excess of Investment. The community is trying to save in money without saving in real terms; it is trying to enrich itself by amassing claims on itself rather than by accumulating physical property of lasting value.

This diagnosis, to repeat, is now very generally accepted. What is the cure? Broadly speaking, if the community is under-spending, any increase in spending would improve matters. At the bottom of a depression, the state can reduce unemployment by giving consumers more money to spend, either by a direct subsidy, or by putting a few million young men into uniform and giving them Army pay. This line of attack is perfectly feasible. Indeed, in so far as there is reason to believe that a modern community has an inherent tendency to Save more than it can Invest, the encouragement of consumption at the expense of saving is a sound long-term policy. But if the depression arises because of a deficiency of Investment (that is, broadly speaking, of capital construction), the direct way of meeting it would be to increase Investment. There are four solid reasons why a policy of increasing Investment is preferable, at least in the short run, to one of subsidising consumption (i.e., of reducing Saving). First, an Investment policy can, within limits, be turned on and off in accordance with changing circumstances; a subsidy to consumption, or any other direct grant to the people, once given, would be very hard to withdraw. Secondly, a given amount of money spent on increasing Investment is likely to have a larger ultimate effect (in technical language, the multiplier is larger). Thirdly, if there are to be subsidies for consumption, only the state can provide them; but it can induce others, as well as itself, to expand Investment. And fourthly, an increase in Investment is more "natural," in that it responds to the individual acts of choice that led to the Saving; it is therefore likely to be more stable.

The first pillar of a Full Employment policy must, therefore, be an Investment policy. Mass unemployment can be prevented if the community's annual Investment can be made both large enough to embody the total of Savings, and regular from year to year. That this is not merely the recrudescence of the old "public works" doctrine will be made clear in a second article, which will analyse the means of achieving the aim of Full Employment; a third article will attempt to work out the cost.

His book was completed after the fall of France, and after the New Hebrides became the first French colonial area to declare allegiance to the cause of Free France, but before the islands themselves became battle areas. Nevertheless, some idea of the effects of the war on the islanders can be obtained from the picture Dr Keesing builds up. He shows a people who have worked their way through the initial stage of break-down and disorganisation, caused by sudden, unsolicited contact with an alien culture, and who have for the most part passed through a second stage of reorganisation and restabilisation, in which elements of the new and old were successfully blended in a *modus vivendi*, into a third stage marked by more disintegration, restlessness and the testing of accepted standards. From here, some individuals, almost exclusively Hawaiians and Maoris, have been able to reach a fourth stage in which they have successfully adjusted themselves to modern civilisation—though here again the Hawaiians, who are on the way to becoming assimilated into the western culture, may be contrasted with the Maoris, who have in recent decades stressed their Maori identity, fostering worth-while Maori customs and traditional arts and crafts. Against both these peoples may be set the inhabitants of the Gilbert Islands, of whom H. E. Maude, quoted by Dr Keesing, says:

The main stream [of Western civilisation] has passed them by. . . . The attitude of the Gilbertese towards the outside world is a sensible one; he recognises the existence of foreigners and the fact that they differ from him in many respects, but he stoutly maintains his own group to be the best place for the Gilbertese. . . . He evinces little if any curiosity in the customs and goings-on of the outside world, which he will never see. . . .

But between these two extremes, the progressive Hawaiians and Maoris, who take an active part in the affairs of their homelands, and the contented but limited Gilbertese, lie the great majority of the islanders who are in the third stage of restlessness and questioning. Dr Keesing's book shows how economic factors have contributed to this new disintegration and influenced its course. From being self-sufficient subsistent farmers, perhaps carrying on minor barter and ritual exchanges of goods with their neighbours, the islanders became exposed to the vagaries of world markets. In most of the islands, coconut products account for by far the greater part of agricultural exports, and the London price of South Sea copra, which was £39 14s. a ton in 1920, fell to £8 in 1934, rose to £22 12s. 6d. in 1937, and fell again to £9 5s. at the outbreak of war. The years of the depression, says Dr Keesing,

witnessed a great setback to native participation in the modern economy. To their astonishment and inconvenience, native groups were pushed back more or less upon their older subsistence economy. With markets unable to absorb the customary shipments of island products, the merchants perforce had to refuse to buy these in the usual quantities. . . . Again, wage-earning jobs in government or private service were cut to the bone.

It would, however, be impracticable, even if it were desirable, to allow the islanders to revert to a primary peasant state, because the population is increasing too rapidly. After the severe decline which marked the early stages of contact with the foreigner, the population trend now shows a fairly sharp rise. In 1938, the crude birth-rate per thousand was 40.8 in American Samoa, 40.4 in Tonga, and 37.6 in Fiji, compared with 14.7 in England and Wales in 1933-37, though the infant mortality rate is, of course, far higher than in western countries. This decline and reversal means that the native population of the South Seas is a young one. Between 40 and 50 per cent of the population of Guam, American Samoa and of the Maoris, and over a third of the Fijians, are under 15 years old, and over 25 per cent of the same peoples are between 15 and 30.

These population trends, which are probably general throughout the islands, have two consequences. The first is a danger of over-population in some islands. Others are still sparsely populated; Dutch New Guinea, for instance, has a native population whose density is only 1.9 per square mile. But in Nauru it is as high as 198.1, and in the Gilbert and Ellice Islands it is 173.2. If the islanders are allowed to drift back into a subsistence economy, some of them may sooner or later be faced with starvation.

The second consequence is less obvious than the threat of over-population, but in the long run it may be equally dangerous. The young people who are predominant in the population are the ones, particularly the young men, who have suffered most from the economic depression. They have grown up in what for them seemed an age of promise, in an age when the wireless and the aeroplane were breaking down the islands' isolation from the outside world and from each other; they have sometimes made a grand tour of neighbouring islands; they have been attracted to the towns, have rubbed shoulders with the white man, and shown off to the tourists, and have seen what money can buy. The depression destroyed their hopes, and it left them with the choice between going home to a life they had come in some respects to despise—a Samoan leader said to Dr Keesing of the young men of the villages, "Their bodies are there, but their minds are away"—or cking out a precarious existence in the towns and ports.

It is small wonder, therefore, that there is discontent and restlessness. Nowhere is this so serious as, say, in the West Indies, but it manifests itself in more than one way—in the rise of cults and sects, and in a lack of respect for native leaders and for the white man. It has not yet led to widespread nationalism, and, except in Samoa, there has been no strong movement for political autonomy, but care must be taken if a pseudo-nationalism is not to arise from discontent. On the other hand, every encouragement should be given to the healthy trend towards political consolidation. In the '30s, for instance, Dr Keesing found educated Maoris saying "we Polynesians," and members of the Fiji archipelago count themselves Fijians rather than natives of Bau, Singatoka and so on.

The problems of the South Sea Islands are not peculiar to themselves; in greater or less degree, they are found in most other colonial areas. Nor is Dr Keesing pessimistic about their future. Unlike some anthropologists, he does not want the islanders to be preserved in their own indigenous culture away from the influence of the white man, or, for that matter, from the Asiatic influence as well. He sees that contact is inevitable and that the problem is not how to lessen it but how to make it beneficial to the natives. With this in mind, he examines the current theories of colonial government and other aspects of alien domination—economic development, land policy, missions, health services and education. It is significant that he does not concern himself with deciding which of the foreign powers in the South Seas is the best governor. He sees much to praise and blame in the rule of each, and though he recognises the cumbrousness of the condominium in the New Hebrides and the drawbacks of the mandate system, he looks for international co-operation, seen at its best in the work of the Central Medical School in Fiji, to find the right solution.

It is true that this reads like a counsel of perfection at a time when the powers concerned are fighting for the possession of the islands. The white man's prestige, which, Dr Keesing found, suffered enough in the pre-war era, in the days of depression, must have dwindled almost to nothing when the islanders found that alien domination could not give them peace any more than economic security. On the other hand, it is because of this that international co-operation will be even more necessary after the war, since it will be beyond one country's power to restore confidence and regain the natives' trust. But, whatever form the government of the islands takes, Dr Keesing makes one stipulation. The islanders must not be forced to accept alien customs, alien economics, alien standards against their will. Planning must not be imposed upon them. Government must guide and direct, with the increasing help of the islanders; but they themselves must be allowed to choose, whether consciously or unconsciously, what in the new culture they will accept and what they will reject, and to make their own adjustments and adaptations accordingly.

Export
and
Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

NOTES OF THE WEEK

Tactics versus Strategy

As October begins, the fortunes of the battle for Stalingrad are still in the balance. The Germans have made some progress in the northern part of the city. Otherwise the position has remained unchanged. The Russians continue to display a remarkable originality and inventiveness in tactics, of which the use of the Volga as a base for their artillery—gun emplacements on rafts and river craft have been mentioned in reports—is the most striking instance. The Germans boast of having outgeneralled the Russians; but they cannot claim to have “out-lieutenanted” or “out-colonelled” them. The German General Dietmar has had to pay yet another of his reluctant but unreserved broadcast tributes to Stalingrad’s defenders. What he said amounts actually to an admission that the tactical mastery of the Russians may have deprived the Germans of the fruits of their strategic initiative. The balance of the summer campaign, which is now probably being struck at the Führer’s headquarters, has gone awry. Even if the Germans succeed in capturing Stalingrad within the short space of the remaining campaigning season, their forces may still find themselves shut in “the dangerous bag” (as General Wavell has called it) between the Caucasus and the north. The latest Soviet thrust from the Volga towards the Don gives von Bock, or his successor, von List, an unpleasant foretaste of the difficult position in which the German salient may find itself when winter sets in. Unless the Germans can secure a swift and extensive widening of the wedge, they may have to withdraw from Stalingrad as they had to retreat from captured Rostov last year. This explains their recently increased pressure in the northern Caucasus; but the fighting on the Terek river, too, has so far been inconclusive. The realisation of the gravity of the German position has been apparent in General Dietmar’s broadcasts. For the first time in this war, a German military spokesman has had to complain that some of the advantages, to which the Germans have comfortably accustomed themselves in the course of this war, have now fallen to their enemies. The Russians, said the General, enjoy the advantage of operating on the inner lines; their communications are better than the Germans’, and they are more able to concentrate at single points. Dietmar may have overstated his qualms for pedagogical or propaganda reasons. But the basic facts remain, and Dietmar’s statements have found their counterpart in a more confident note in recent Russian home propaganda. Indeed, if it were not for terrible hardships and internal economic strains, the Russians might look forward with appreciably more hope to their second war winter.

America and India

There is a deal of force in the argument that opinion in the United States is being allowed to veer unreasonably against British policy in India for lack of sound and accurate information about the British case. On the other hand, a great deal too much is being made of it. The present position is that partly because of clever, large-scale propaganda in the United States on behalf of Congress, American opinion is disposed to become increasingly critical because no progress has been made on the British side towards securing a settlement of political differences in India. For a time, when Sir Stafford Cripps made his offer to the Indian parties, it did seem that American opinion was seeing the Indian problem and its obdurate difficulties in their true light for the first time. The United States seemed to realise then that a settlement was being held up simply—apart from the long legacy of distrust and misunderstanding between Britons and Indians, for which both were to blame—by the inability of the Indian parties to agree among themselves. Since then, there has been a reaction; and the demand that much more should have been done by the British authorities to keep the true perspective fresh in American minds is obviously very justified; the United States, like China, has an interest and a part to play. But this is not the whole story. After all, American editors, American journalists, American travellers, and, indeed, every intelligent American can find the true facts as readily available as his counterpart in this country. The truth is that the people of the United States, for obvious historical

reasons, are constitutionally inclined to regard all matters appertaining to the British Empire, and, in particular, to India, with the deepest suspicion; that is to say, largely because of this unfortunate tradition and because of subtle Congress propaganda—which is no new thing, but began many years ago—there is a large section of American opinion which does not really want to see the British side of the case. By all means, let more facts be given—and especially more facts about the planned sabotage and brutal atrocities which have accompanied the recent disturbances, sabotage and atrocities which have been witnessed by American journalists in person. But there is no reason at all for this country constantly to be apologising to the United States for its Imperial policy. There is a danger at the present time that an inferiority complex is being developed on behalf of Britain in the effort to carry out a one-sided publicity policy which, as in this instance, takes it for granted that the Americans are mistaken about British policy because of some British fault of exposition, whereas in fact the fault lies at least as much on the American side, where an unduly cynical attitude towards the British Empire is generations old.

Money at War

The full figures for revenue and expenditure in the six months ended September 30th are on page 433. It is a remarkable fact that total revenue, exclusive of money raised by the creation of debt, was almost exactly the same, just over £1,200 millions, in the six months which ended on Wednesday, as in the first thirty-six months of the last war. The figures are not, of course, entirely comparable. Total revenue in the period from April 1st to September 30th this year includes nearly £155 millions as a contribution from Canada and over £50 millions from revenue required to meet expenditure on the Post Office. Nevertheless, the order of comparison remains as indicated—three years of World War I, in terms of taxes, in half-a-year of World War II. Compared with the period from April 1st to September 30th last year, the yield of direct taxation has increased by over 44 per cent and of indirect taxation by nearly 31 per cent. It is true that, in this total war, expenditure is also very much higher than in 1914-18. Estimated ordinary expenditure for the whole of the current financial year, £5,286 millions, is larger by about a tenth than total expenditure in the first three years, by the calendar, of the last war; and the fact that virtually half (£2,594 millions) of the estimated ordinary expenditure for 1942-43 has already been spent in the first six months suggests that the final total may be still greater. But, proportionately, revenue holds pride of place in the comparison. In the current year, revenue from all sources will almost certainly cover 50 per cent of expenditure, as estimated—a notable achievement, especially in comparison with 1914-18 when the proportion was, perhaps, a third. It is the weight of wartime taxes, and their wide embrace, which, together with comprehensive and flexible rationing and price control, have limited the advance of inflation. Nevertheless, the advance is perceptible. It is evident in the buoyancy of indirect taxation—the unexpectedly high yield of the tobacco duties, which shows that, despite higher prices, consumption is still climbing to new levels, is a significant instance. Probably it has a share, too, in the present activity on the stock markets—and in all monetary transactions which deal with goods and services which are still unrationed. So far, the dam has held, on the whole; but the complacency shown this week by both Sir Kingsley Wood and Lord Simon about the future progress of inflation is unjustified. At the most, not much more than half of the part of the year’s expenditure not met from revenue will be covered by genuine savings; as Lord Simon has admitted, although wage rates have risen during the war by less than a third, earnings have risen by nearly half, and large claims for a general increase in wages are pending. The Government’s desire to avoid replacing collective bargaining by the state dictation of wages—and other incomes—is understandable, but unhelpful. It is surely the duty of the trade unions themselves, if their wage powers are to be sacrosanct, to come to the aid of their country—and their members—by combining with the Government in the formulation of a real wages policy.

The Octennial Act

Only nine Members voted against the second reading of Wednesday’s Bill to give the present House of Commons, which blundered into existence in 1935, an eighth year of life. The overwhelming opinion was that in war conditions, with electors away, registers obsolete and air raids still frequent, an election was not possible. But Parliament is, quite rightly, not proud of itself. Most speakers regarded the latest prolongation as at best a necessary evil. The argument of solidarity in wartime was also used, Ministerially, against an election. This argument is only sound in a sense which its users did not intend. The present coalition and truce mean that, in by-elections, seats are filled, for the most part, by caucus choices who are indistinguishable from the tired and superannuated Members who have been loitering at Westminster for so long. As the Prime Minister’s son said in the debate on Wednesday, there is a black market in Tory seats—with the gloomiest results. A coupon election or a staggered general election, such as Sir Richard Acland wants, would in truce conditions do little more than carry on this melancholy story—though Sir Richard would have hope for some of his Common Weathers, who know no truce. The position is that the Commons will not be worthy of the country until there can be an election—and a clean-out. And, even with an election, there will be no clean-out if it is merely contested by the mediocre puppets whom the rival party machines, both alike, prefer. A coupon election, filled with single-party cries of solidarity from the coalitioners, would do little more than go through the motions and, perhaps, weed out the more conspicuously senile and deficient. It would do little or nothing towards what should be the first and most important aim in reconstruction—the choice of a really able, really vigorous and really representative Parliament to carry reconstruction through. What is wanted is, first, a sound and constructive political Opposition to make the points at issue plain, war or no war; and, secondly, some method of securing that able men and women are brought forward as candidates when the time comes for an election. Better candidates mean better Members.

Reno Politics

The new political movement, Common Wealth, was formed a short time ago by the merging of the 1941 Committee with Sir Richard Acland’s movement, Forward March. A divorce has now been announced; Mr J. B. Priestley, Mr Vernon Bartlett, and Mr Raymond Gauntlett, of the 1941 Committee, have resigned. The parting was friendly; the 1941 Committee members have not the time, it seems, to devote to the laborious process of political organisation. There are some signs, however, that the episode may be an interesting example of the current difficulties inherent in the task of attempting to create an effective political movement outside of the area dominated by the established party machines. Broadly, there are two views among the independents who attempt this task. One school of thought, which is represented in this instance by Sir Richard Acland, believes—in terms of democracy, probably rightly—that the only way is to organise a mass movement which will compete in scale, organisation and creed with the parties themselves. The other school, which is perhaps less persevering and too preoccupied by other things, believes in infiltration. Its basic plea is the doctrine of the *élite*, the view that holds that the quick way to achieve results in policy is to collect and convert a cadre of experts. This *élite*—occupying, because of the expertise of its members, key positions in politics, administration and business life—will then be able to influence policy much more promptly and directly than can possibly be the case if influence has to be waited for until success is won at the polls. This is said to be, at bottom, one of the issues upon which the short-lived Priestley-Acland marriage has broken down; and it is hard to resist the conclusion that both parties, in their own ways, are right—with Sir Richard Acland considerably more right than Mr Priestley. Mr Priestley is almost certainly right in believing that Sir Richard Acland’s methods will take a very long time to bring results; Sir Richard Acland’s optimistic faith in an early landslide in his favour appears quite unrealistic, in view of the machine-ridden character of party politics in its present state. On the other hand, Sir Richard Acland is still more right, as a democrat and a believer in the Parliamentary method, in believing that his methods, protracted though they may necessarily have to be, are the only proper ones, certainly more proper than the infiltration tactics of the 1941 Committee—that is, if infiltration

means, as it runs the risk of meaning, the capture of key positions in the state and the fighting out of fundamental social and political controversies by a few people working in secret, away from the sharp light of public opinion and open discussion. It is pretty certain that Mr Priestley and his friends do not themselves intend to sponsor the seizure of power by their small *élite* by means of some sort of *coup d’état*; but the fact cannot be ignored that this unhappy and undemocratic development appears to be the logical conclusion of any short-cut argument which assumes, first, that there is a small *élite* of experts fitted to rule, and, secondly, that the right programme is to put this minority into *de facto* control of policy as soon as possible.

Coal Wanted

This week’s debate on coal in the House of Commons took place too late for adequate comment. The report of Major Lloyd George, back from a tour of the coalfields, can hardly have cheered the House. There appears to have been no improvement this year, either in the weekly output per head or in total output. In answer to a question in the House of Commons on Tuesday, Major Lloyd George revealed that absenteeism has lately shown an increase. A comparison of the five weeks which ended on September 12th with the five weeks preceding the report of the Greene Board of Investigation shows that the percentage of absenteeism rose from 13.18 per cent to 13.93 per cent among face workers, from 10.25 per cent to 10.85 per cent among other underground workers, and from 5.99 per cent to 6.60 per cent among surface workers. Unfortunately, the Minister did not distinguish between absence due to sickness, accidents and avoidable absence. A letter from the secretary of the Kent Coal Owners’ Association to the *Times* on September 30th claims that, in the Kent coalfield, the rate of absenteeism—excluding time lost through sickness and accidents—was actually lowest among miners over 40 years of age and highest among those under thirty; as the total numbers comprising the various age groups are not disclosed, it is impossible to determine the full meaning of these figures, but in view of the general assumption that the increase in absenteeism is due partly to the higher average age of coalminers, complete figures for the country as a whole should be published without delay. It is still too early to ascertain the effect of the introduction of the bonus scheme for miners which came into operation last month. But the district target which was substituted for the pit target recommended by the Greene Board, presumably in order to avoid the emergence of a wide spread between the earnings of individual workers, is too remote to inspire “competitive emulation,” and may defeat its purpose; the absence of improvement in output per head can emphasise it has placed on individual achievements. But the absence of improvement in output per head can certainly not be ascribed entirely to the miners. One of the main purposes of the reorganisation of coalmining was to achieve an increase in the output per head through the concentration of work on the most productive pits and seams. Unfortunately, there is no evidence that policy has yet been translated into action by the Ministry’s controllers. The disappointing trend of output per head can

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hardly have been offset by the small increase in the industry's labour force, from 708,008 on January 3rd to 711,498 on September 12th; indeed, if anything, total output has probably fallen slightly in recent months.

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Rationing and Manpower

In sum, a shortage of coal during the coming winter is now unavoidable; and it is therefore absolutely vital to secure the efficient distribution of supplies to obviate hold-ups in production and transport, and to minimise hardships among domestic consumers. The lack of understanding still to be found among responsible writers is astonishing. A leading article in the *Sunday Times*, on September 27th, expressed alarm

at the possible ill-effects it [rationing] would have on the health of the old and the very young. Rationing may, and should, be prevented.

It has been repeated *ad nauseam* that the whole purpose of rationing is not to cut the total allocation of fuel to domestic consumers—this will have to be fixed anyhow—but to secure a more equitable distribution of available supplies in order to prevent hardships among the individuals whose cause the *Sunday Times* has embraced. Unfortunately, the administrative difficulties of introducing rationing at this late hour are such that the scheme may have to be held in abeyance this winter. But if a shortage of coal this winter can no longer be avoided, steps should at least be taken now to ensure adequate supplies for vital purposes next year. Apart from the need for a really efficient system of distribution, arrangements must be made to secure an upward trend of production by technical reorganisation, and by the provision of an adequate labour force. By allowing young men called up to choose between the Services and coalmining, the Government has given mining equal priority. But, if equal priority is admitted, might it not be more expeditious to bring back some of the trained miners in the Services who are still in this country to their former jobs, in order to secure the immediate strengthening of the industry's labour force? True, this number is not known, and some 9,192 former underground workers have already been released this year from the Army and the RAF; but even a small addition of trained miners to the industry's labour force might secure an immediate addition to production. But, even if miners with the Services in this country are released—and at this critical stage in the war the release of trained soldiers is a very serious step to take—it will still be necessary to mount new recruits for the industry. The decision of the Government to allow men about to be called up to become miners is sound, though, in view of the time required to train miners, direction may be necessary if an adequate number of volunteers are not forthcoming within a few months. The most unsatisfactory feature of the coal problem is that it was not inevitable, but arose mainly from a lack of foresight on the part of the Government. There can be no valid excuse.

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Fair Play

The new scheme of the Ministry of Fuel and Power for the distribution of house coal to merchants must arouse misgivings. Hardship in the winter is now inevitable. Only by rationing or some equivalent could that hardship be minimised by equitable distribution. It is now too late for rationing, and the Ministry's substitutes become all important. In effect, the Ministry has done precisely the thing which Sir William Beveridge, very rightly, condemned—that is, it is now intended to allocate house coal on the basis of previous consumption without any rationing of electricity or gas. The poorest consumers of fuel, who depend mainly on coal, will be heavily penalised. Well-to-do consumers, with a gamut of electrical and gas gadgets, will be in clover. People who have been extravagant in the past will be rewarded for their prodigality. Those who have been thrifty will pay for their earlier economy. There could be no more revealing proof of the unfairness and multiplied hardship which was bound to come once the politicians set their teeth against rationing.

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Alienated Nationals in France

The handing over by Laval to the Gestapo of Jewish refugees from central and eastern Europe seems to have

been just the beginning of a wider campaign which may affect all Allied nationals. It is reported that the deportations are to be extended to all Poles and Czechs who entered the unoccupied zone after September 1, 1939. The anti-Jewish measures were, as usual, only the first step. Some 1,400 American subjects have been arrested in Paris; and the Parisian quisling press is waging a furious campaign against British nationals in unoccupied France. Déat, in his *L'Oeuvre*, has gone so far as to demand the transfer of all British nationals from the unoccupied to the occupied zone in order to put them into concentration camps situated near war factories exposed to RAF attacks. The French quisling thus proposes to apply to the British the methods used by Stülpnagel against French hostages. His demand has been echoed by a number of other Parisian papers, such as *Aujourd'hui* and *Le Petit Parisien*. The danger that Vichy may yield to the pressure of the gangster press ought not to be belittled; at any rate, it is inappropriate to rely on Pétain's pseudo-liberalism. Abetz' wire-pulling is too easily discernible behind the whole campaign which is obviously meant to foster anti-Allied feeling. No *ruse de guerre* can, of course, prevent the Allies from striking at the enemy on French soil; and not even the knowledge that British nationals may be placed near its objectives would stop the RAF's doing its duty. Déat's demand is, therefore, as naïve as it is barbarous. But, at the same time, specific and urgent measures ought to be taken by all the Allied Governments to protect those of their nationals who live within the grasp of Laval's police.

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The Temple and the Money-Changers

In the nineteenth century the accumulation of large fortunes was not only tolerated, but even encouraged by the Church—as Lord Keynes once wrote, it was easy for a rich man to enter the Kingdom of Heaven, provided he saved. In the twentieth century the needle's eye is less wide, and genuine Christians are finding it increasingly difficult to reconcile their principles with the inequalities of wealth and the continued existence of "two nations" in modern society. At the Albert Hall last Saturday the Archbishop of Canterbury called for a new social order—for the subordination of the profit motive to that of production for the general interest, for social reform and for the end of privilege for the few. Dr Temple's excursion into the realms of high finance was perhaps unfortunate. He said that the banks represented a monopoly, whereas they actually compete; he proposed that they "should be limited in lending-power to the amount deposited by their clients," which in fact they are. In his zeal to overthrow the tables of the money-changers, the Archbishop tends to weaken the force of his general arguments and give his critics a handle for their rebukes. The *Daily Telegraph* asks that Archbishops should not meddle in economics, a subject which they cannot know anything about—why?—and letters in the *Times* have deplored the entry of the Church into "active politics." Yet it is surely obvious that, for the leaders of the Church to confine themselves at the present crisis of civilisation to discussion of ecclesiastical matters or to the elucidation of fine points of theological doctrine would be tantamount to an admission of bankruptcy, and the vast majority of the nation will regard the Archbishop's speech as evidence that the Church is conscious of its social responsibilities. All that can properly be asked is that the comments of churchmen on economic matters should be properly informed and intelligent in argument. Dr Temple, for instance, who tries hard and with devotion to learn, might ponder the fact that the mainspring of the free and competitive economy is not the greediness of individuals for profits, but their readiness to risk losses. It is risk-taking that has been mainly responsible for economic progress, in welfare as well as wealth, and any attempt to employ the nation's, or the world's, resources to the best advantage by planning will have the task of achieving the same degree of adaptability and efficiency by other means. Side by side with the Archbishop, Sir Stafford Cripps, who now appears in yet another avenue to the success in democratic reformation which was taken for granted when he became a Cabinet Minister, before a long silence fell upon his deeds and influence, reminded the Church of its duties as well as of its rights:

If privilege is to be ended, then we must be prepared to give up our privileges with the rest, not excluding the privilege of endowment and of establishment of the Church of England.

O Rus

The Scott report has inevitably unloosed a flood of comment about the relation between town and countryside. The Minister of Agriculture, who spoke at a Salisbury Diocesan Conference last week, did not contribute anything new to the discussion. Nor did he give any indication of the Government's intentions with regard to the Scott proposals. Further elucidation was left to the Prime Minister, who, in answer to a Parliamentary question on Tuesday, said that both the Scott and the Uthwatt reports were being referred to the Paymaster-General, as Minister responsible for the co-ordination of planning activities. Sir William Jowitt must not brood over these documents for long. Two things should be insisted upon: first, that a central planning authority with power to act should be appointed at once; secondly, that the principles and methods of development laid down by the Uthwatt Committee should be accepted forthwith as fundamental. The Scott Report, on the other hand, need not take up much of Sir William's time, for it begged all the real questions. Everyone will agree with Mr Hudson that the agricultural worker should be well-paid, well-fed and well-housed; that the farmer should be assured of a reasonable return on his investment; that the village should have its share of amenities; and that all the workers on the land should be happy. The only rider that the sober critic must add is that these things cannot be provided for an indefinite number of agriculturists. They can only reasonably be secured for the number of farmers and workers who can be supported at this desirable level by an efficient agriculture standing on its own feet—that is, by an agriculture of a scale and type which can compete in relative efficiency without protection or subsidy, with the alternative, mainly industrial, uses of manpower and capital resources—and with overseas farmers. If the intention is to attempt to maintain more farmers and workers than agriculture can possibly support at this higher level by its own competitive efforts and relative efficiency, then a heavy price will have to be paid by the rest of the community, who will pay in two ways: first, by higher food prices and subsidies; and, secondly, by virtue of the fact that the national income, from which the whole nation has to be supported, will be correspondingly smaller than it would be, because a considerable proportion of the nation's resources, by the un-economic expansion of agriculture, will be used less productively than they might be. To segregate the village community, to foster the development of agriculture at the expense of the town dweller, will not increase, but lessen, the wealth of the nation as a whole.

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Relief by Stages

At Leamington last weekend, Mr Eden looked ahead to the period of relief and reconstruction. He emphasised that allied liberation of the occupied territories will be designed to bring immediate material comfort to the exploited peoples; that, even while the closing stages of the war are still in progress, the first stage of relief will be carried out under military supervision. The second stage, that undertaken by the civil administration will succeed the first as soon as a stable government is established in each area. Beyond this, Mr Eden did not go into details. But it is well known that relief plans are already being meticulously prepared and that the adaptation of existing organisations for the distribution of supplies is an integral part of the reconstruction scheme. This news must be got through to the much tried peoples of the occupied territories. When the invader has been driven out and the long strain of terror and resistance is over, the first and most pressing need will be for food. Certainty that the defeat of the Axis will not inaugurate a heartbreaking period of freedom to starve and administrative chaos is probably the reassurance most urgently needed by the average inhabitant of occupied Europe or of the Far East. As Mr Eden pointed out, there is no need to expect a long delay before military can give way to civil administration in Allied countries where the establishment of stable Government should be relatively simple. It remains uncertain whether the second stage of civil relief is to be in the hands of national Governments or of joint Allied commissions. There is, of course, the difficulty that all administration on a territorial basis raises immediately, and presumably prior to the peace treaty, questions of territorial jurisdiction still *sub judice*. The authority which feeds disputed areas and the authority which feeds the enemy must presumably be an international

authority until the final settlement is arrived at and relief enters upon its third and most constructive phase. It would be idle to suppose that reconstruction in Europe, or in Asia, will be concluded in a matter of months. Three or four years elapsed after the conclusion of World War I before any approach to normality was attained in central Europe. Recovery this time can scarcely be any simpler or speedier—to say the least. The submerged nations need to be assured that immediate relief will be brought to them efficiently; that humanitarian aspirations shall not compromise the ultimate resolution of territorial differences; that reconstruction will not only be immediate but enduring; and that the basic material needs of the aggressor nations will in no case be preferred to those of any of their victims. And the best means to reduce the task of post-war relief to manageable proportions is to win the war as soon as possible, before starvation, disease and anarchy take a long lease of Europe.

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A New Stamp

Dr Dudley Stamp has been appointed to be the chief adviser of the Ministry of Agriculture and Fisheries on the utilisation of rural land. Dr Stamp is deservedly well known for the remarkable investigations which he and his assistants have made over a period of years into the facts of land utilisation in Britain; their maps represented a new chapter in economic geography. More recently, and much more controversially, Dr Stamp has become known as the chief architect of the Scott Report on land utilisation—the Stamp Report, as it might more properly be called. If Dr Stamp was really the power behind the throne in the drafting of this document, those people who have long felt that the organisation of the teaching and degrees of the University of London gave too much opportunity for good geographers to claim authority and a hearing as bad economists have gained a further reinforcement for their criticisms. It is a deeply disturbing thing that the man who is reputed to have been the main motive power behind the loose economic arguments of the Scott Report should now become an adviser to the Ministry of Agriculture. Dr Stamp is the greatest of authorities on the way in which land has been used in the past. There is nothing, either in his earlier record or in the Scott Report, to suggest that he can claim a similar authority in deciding how the resources of this country, land, labour and capital, can most productively and most efficiently be used in the future. Indeed, the Scott Report itself is a monumental example of the fallacious reasoning which can follow from the determination to prove that one particular form of economic activity for sentimental or other non-economic reasons, should be maintained, under protection and subsidies, at a level which the productivity of resources employed in that activity, compared with the productivity of resources in other pursuits, cannot possibly justify. There has seemed hope that the Scott Report, by the very woolliness of its well-intentioned list of incompatible recommendations, would have little influence upon policy. This optimism received a slight shock when the only publicity given to the Report by the BBC was entrusted to an agriculturist without the slightest understanding of the economic issues involved. It must be disturbed still more seriously by the appointment of Dr Stamp.

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Cotton Controversy

The Manchester meeting which last week breathed fire and slaughter against the Cotton Control was not, it seems, representative of the cotton industry. It is reported that the leading organisations of the industry do not support the demand for the destruction of the present Control; and, indeed, a number of employers' organisations recently informed the Ministry of Supply of their satisfaction with the present Controller. The rebels are properly anxious to have it made plain that, in spite of their denunciation of the Cotton Control as unnecessary, they did not intend to suggest that control was unnecessary. Indeed, they put forward an alternative scheme of control, by which the Control would be headed by a leading legal figure assisted by a chartered accountant and operated by a panel of representatives of the industry. It is not easy to see how this plan, which has not won the approval of the industry as a whole, would better matters from the viewpoint of war economy.

The suggestion of a lawyer as Controller has, of course, undoubted merits. It is one of the major problems of wartime control that the unsatisfactory device of appointing Controllers to control the industries in which they are personally interested has so often been resorted to. But the Manchester protesters want to jump from the frying-pan into the fire. Government by committee is always an unsatisfactory and inefficient method. But, in place of a single interested Controller, they would appoint a whole committee of interested people to be an executive panel—a scheme which, with the best will in the world, could hardly advance the national interest in a period when harsh things have necessarily to be done to the cotton industry, as to every other economic activity, because of the exigencies of war. The chartered accountant is proposed, presumably, in order to secure that the information collected for purposes of control from the individual firms is not made known to their trade rivals, a device which is used by associations which, as described in an article on page 421, have been formed by traders to operate certain overseas transactions. Actually, this proposal merely adds a little more strength to the view suggested by the original incomplete reports of the Manchester meeting—that is, that a main concern of this particular group of cotton men is to make certain that wartime policy does not impair the post-war interests of their firms. In spite of the possible merits of one portion of their proposals, it still seems the case that the revolt is more against the harsh necessities of war economy—understandably, because Manchester, too, is only human—than, at bottom, against the working of the Cotton Control itself.

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More Service Women

It needs no great discernment to see that the rapid expansion and reorganisation of the three Women's Services which is now being carried through is a harbinger of the next offensive stage of the war. The appeal for more volunteers has been made with all the urgency and authority of a major recruiting campaign. Inside the ATS, every possible device of organisation is being introduced to make the most effective use of women to release men for more active duties. The component unit or mixed regiment, first introduced with great success in anti-aircraft work, has already been extended to other branches of the Army; no doubt, the replacement of men, both officers and other ranks, in every kind of static post will proceed rapidly. It is realised, within the Services now as well as without, that the crisis of manpower and womanpower is acute and grave, and even unpalatable changes must be accepted. The main doubt which the call for more women has inspired among the general public is the question whether, if these recruits are forthcoming, sufficient women will still remain to fill the vacancies in other essential war work. The point is, however, that priority has now been given, in the case of womanpower, to the needs of the Services—for reasons which should be obvious enough, when it is considered that Britain is about to become even more of a base than an arsenal, and that the main factor which has hitherto enabled the Services to eke out their manpower successfully, namely, the absence of large-scale casualties, cannot continue for long. The problem of securing more women to fill out the Services is so plainly urgent that it is perhaps a somewhat hazardous procedure, when powers of conscription are available by law, to rely almost exclusively, as seems to be the intention, upon volunteer methods.

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The Grey Market

The grey market is not black, but it is very far from white. It lives by finding evasions and loopholes in wartime Orders, restrictions and regulations. Formally, its operators work within the law, but the effect of their activities must always be to disorganise and disrupt the war economy. The grey marketeers do their business, flexibly, where they can smell it out, and the resources they use for their traffic are very liquid. They carefully watch all Government Orders for openings; they take the advice of lawyers and accountants before they set to work. A good example of their trade was the play some of them made with the Board of Trade Order which regulated the supply of cosmetics. The quotas given for cosmetics were expressed in terms of value—so much of the turnover of a basic period—and they were allocated to manufacturers, who could supply their quotas to any wholesalers. The main item

of cost in the manufacture and supply of cheap cosmetics is packing. What happened was that manufacturers supplied cosmetics to wholesalers in bulk and the packing was done by the wholesalers. This meant that the cost of packing was counted outside the quota, so that, with this large item of cost removed, these manufacturers could use their quotas to produce very nearly the same amount of cosmetics in volume as before the restriction. Manufacturers of repute, of course, went on packing their cosmetics themselves; they had to limit their supplies drastically, as the Board of Trade intended, while the grey market manufacturers and wholesalers went merrily on much as before. The loophole was stopped; wholesalers were forbidden to pack cosmetics; but the grey market operators had already made considerable profits and done much to defeat the intention of the Board of Trade. Another case was that of pickled herrings packed in jars. The Ministry of Food fixed maximum prices for cured and fresh herrings, but said nothing in its Order about pickled herrings in jars. The grey marketeers leapt upon their chance. They began immediately to pickle herrings and packed them in small jars for sale at prices very much higher than the controlled ones. Thus labour, jars and factory space were taken up simply to turn out a product not covered by control. This racket, which was unfortunately quite legal, went on for nearly six months before the Ministry stepped in and stopped it. It is impossible for every Government order to cover all possible evasions, especially when there is this ingenious and rapacious crowd always in wait to make quick money, regardless of the needs of the war effort or the interests of the community at large. The only way to limit their unsavoury antics, apart from the possibility of the Ministry of Labour making certain that all these slippery customers are so busy in the Forces or on war work as to have no time for tricks, is to take still more pains to draft all orders still more comprehensively.

* * *

Multiple Accidents

Whatever the reason for the wartime increase in factory accidents, it is clear that any investigation into the cause of industrial accidents in general is more opportune than ever. The Industrial Health Research Board—a branch of the Medical Research Council—has undertaken such a study, the result of which has been published in a report on the "Personal Factor in Accidents." The report falls into two parts. The first deals with general factors causing or contributing to accidents—such as long hours; inadequate heating, ventilation and lighting; the employment of inexperienced or unfitted workers; the rate at which work is carried on; organisation and management; and the attitude of the workpeople themselves—all these may influence the personal factor in accidents, and they have a special significance in wartime. But as investigation into these matters progresses, it becomes clear that workers may be prone to accidents in very varying degrees. The second part of the report goes very carefully into this question of the multiple accident resulting from accident proneness. Experience shows that the majority of accidents in any concern happen to a minority of workers. This scientific revelation of the old recognition that there are people "whose fingers are all thumbs" does not prove that the problem is insoluble, for to a certain extent accident proneness can be measured, and it should be possible to apply the results of the tests in the selection of factory workers. The most practicable measure, suggested in the report, would be to use tests, supplemented by a record of all accidents experienced during a certain period, for every occupation where there is a serious risk. It is the main object of the studies of multiple accidents to discover how a worker's weakness can be spotted in advance, so that he can be transferred to safer work before it has revealed itself in a serious accident. In theory this aim is certainly commendable. But in practice it is extremely doubtful whether the machinery for transferring accident-prone workers exists—or could be created in a country which has not yet established adequate machinery for re-employing partially disabled workers. It is most unlikely that, under the present workmen's compensation laws, employers will be willing to take on workers declared to be accident prone. Moreover, the border-line between the personal and the non-human factor in accidents is very fine, and there is a risk that too much emphasis on the former may detract from the ordinary, but still essential, steps of accident prevention.

AMERICAN SURVEY

Refrigerators for War

(From an Industrial Correspondent)

Cleveland, September 5th

NO industrial profit more thoroughly typifies the American expenditure on luxurious gadgetry than the mechanical refrigerator; few industries or none have now been converted more completely to war production. In 1941, the biggest year in the manufacture of domestic appliances, the makers of refrigerators turned out 3,552,000 units. By the spring of that year, the increase had been 70 per cent from the volume of two years before. A portion of this enormous acceleration was due to the spreading suspicion that the war would choke off the supply of these devices, and in this belief the public proved to be right. Though limitations on output began to take effect just a year ago, stocks of merchandise remained large to the end of the year, and retail sales in 1941 reached the phenomenal total of \$280 millions.

This was an industry which, though 30 years old, did not become important in the realm of consumers' goods until the 1920s, when a number of large companies began to manufacture at prices within the reach of salaried people. During the 1930s, the volume of output increased so greatly as to cut into the ice business. Prices were reduced until wage-earners were buying them in large numbers.

The production of all mechanical refrigerators was stopped on April 30, 1942. A number of makers had previously been taking orders for small armament parts; but they were now directed to convert almost completely to war production. Only the manufacture of replacement parts was allowed to go on. About two dozen large plants were seriously affected.

Most of the refrigerator factories are in middle-sized cities, many of them in Ohio and Indiana. Cleveland has two, including a maker, or former maker, of kerosene-operated boxes for the farm market. General Electric, General Motors, Westinghouse, Nash-Kelvinator and a few other large corporations were dominant in the industry. The refrigerator companies and the communities which depended heavily on them were some of them long fearful they could not be fitted into munitions manufacture in any effective way. The trade was one of many in the manufacture of light metal goods which had grown up since the last war. It had become so large a consumer of sheet metal as to influence the development of steel making itself. The drift of the American iron and steel industry away from plates, forgings and castings into a concentration on the lighter products, often with re-design, has actually handicapped this country's conversion to the materials of ordnance. There appeared to be little that the Army and Navy wanted which refrigerator factories could make. Cities like Mansfield and Dayton, Ohio, and Evansville and Fort Wayne, Ind., were dismayed at the outlook, particularly as some of them were making stoves and similar goods. They had supposed they were reasonably diversified, but found themselves specialised on light metal work, for which there is little demand in war.

The Process of Conversion

One city (not Cleveland) had two plants making mechanical refrigerators. One of them was employing about 4,300 persons at the time the first curtailment order was issued in the summer of 1941. This company got a number of relatively small contracts: burners for Army ranges and participations in parts for an anti-aircraft gun and turrets for aircraft. As refrigerator work dwindled, it enlarged its work on the original orders and obtained new ones. Its big opportunity came with the building of an aircraft factory in the vicinity last December, and it became a heavy subcontractor for metal parts, the greater number of which were suited to the skill of its employees. Many new machines had to be added and the plant was continually shoving equipment around. To-day, it has almost as many

employees as it had at the peacetime peak. By next year, it will have twice as many, provided they can be found. The other refrigerator plant in the same city already had several small contracts. At the suggestion of the Government, it gave them all up and threw its efforts into making small-calibre ammunition. A large ordnance plant was built in the neighbourhood, and this provided it with a continuous market.

Before the war, the city was employing 20,000 in its factories. Last September, its civic leaders feared it might become a "ghost town." To-day, it has more wage-earners than at any time in its history, and expects to have more than 40,000, including upward of 10,000 women. Poor relief has been withdrawn from all but the incapacitated. Shortages of materials and irregular deliveries still interfere with production; but the community has been free from strikes, one of few places with that distinction. Though the city is far inland, it is also making parts for ocean-going vessels.

In Reverse

The reconversion of plants to refrigerators after the war is not expected to take many months. In the meantime, the stock of new refrigerators in the hands of dealers has been exhausted in most or all cities, and in Cleveland the prices of used refrigerators two years old have advanced to their original costs. Several concerns have lately gone into, or back into, the making of ice refrigerators, including a few ice manufacturers. They use a minimum of metal parts, constructing the box of wood as in the days before steel took over the field, but they are using designs which imitate the mechanical refrigerator.

American Notes

Party Politics

According to cabled reports, the United States Senate unanimously passed a Bill on Wednesday authorising President Roosevelt to stabilise prices, wages and salaries at the levels of September 15th so far as practicable. The Bill was immediately sent to the House of Representatives, though, as *The Economist* went to press, it was unlikely that President Roosevelt would receive the powers he requested by October 1st for averting inflation. The farm bloc has fought bitterly and brazenly to preserve, and even to increase, the special privileges of the farming community. Its methods were never better displayed than in its counter-proposal—that, instead of fixing agricultural prices at 110 per cent of parity, or recent levels, whichever was the highest, the whole concept of parity should be revised in an upward direction by introducing the factor of farm wages and the value of the farmer's own work. It was calculated that this new parity would work out at about 112 per cent of the old, and that if adopted, the way would be open to increasing the cost of living by 5 per cent. On Tuesday the farm bloc's proposal to fix ceilings automatically at 112 per cent of parity was approved by the Senate. The President seemed beaten and the threatened use of his veto near. But a compromise was adopted on Wednesday. The President, nevertheless, has still not won. He is directed to raise farm price ceilings to allow for increases in labour and other costs since the beginning of last year. At bottom, in spite of the so-called compromise, this clause appears to embody the farmers' proposals in another form. Only an open clash, and certainly not inflation, seems to have been avoided. The scorn which has been poured on the farm bloc—"predatory

locusts" was not the unkindest phrase used by an American newspaper—should not be allowed to implicate the whole farming community. The farm bloc is composed of four large organisations which in the main speak for the large-scale farmer; naturally enough, it is they who have the money for pressure politics on a grand scale. The Farmers' Union, a smaller group representing the low-income farmer, and advocating co-operation with labour, has dissociated itself from the other farm organisations and has advocated the fixing of prices at 100 per cent of parity. A recent poll found that 71 per cent of Western and Middle Western farmers favoured the President's proposal. It is also probable that Congress would not have been so ready to listen to the farm lobbyists if it had not had the comforting knowledge that, in the end, the President could be counted upon to take what action was necessary. Congressmen in this case can have their cake and eat it too—at a price. That price is a further decline in the prestige of Congress and in its effective powers. There is, of course, much in the farmer's wage problem and the difficulty of securing labour; but the way to deal with these is through deferment of farm labour, or even an essential work order, not by a blanket increase in prices.

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The Elephant Never Forgets

The ten-point programme adopted by the Republican members of the House of Representatives last week, and regarded as a bid for support in November, could not have been written before Pearl Harbour, but it is hard to find in it proof that America's entry into the war has provoked any very profound change in Republican thinking. There will be satisfaction that the Republicans have pledged themselves to give the President loyal and patriotic support; that they will oppose attempts to negotiate a peace before victory; and there is a pale reflection of Mr. Willkie in the recognition that the United States must work with other nations to bring about world understanding and the maintenance of peace. But even these pledges are qualified. The proviso which has aroused the most criticism in the United States reads:

In so doing we must not endanger our own independence or weaken our way of life or our government.

These are phrases which may mean nothing, or which may prove to bar the way to collective action within the framework of the United Nations after the war—if Republican strength is then sufficient to control or hamper national policy. The support of Mr. Roosevelt also is subject to conditions.

The President should not permit himself to be deterred from the responsibility which is his by those forces and influences which persist in continuing so-called social and governmental reforms at the expense of the war effort.

As in too many political platforms, what is given with one hand may be taken away with the other. The full text is not yet available; but apparently the other main points demanded utilisation of the most efficient military and civilian leadership; an end to unnecessary censorship; and investigation of war profiteers. It pledged the signatories to vigilance to eliminate waste and inefficiency. It is difficult to believe that whatever gains the Republicans may make in November will be the result of this document. Unfortunately, the urgent issues of the moment do not make pretty campaign material. The allocation of manpower, the control of prices, the drafting of the 18-19-year-olds, and international obligations, are subjects of which the Republican—or, indeed, any vote-getter—by instinct fights shy.

* * *

Victory Fleet

Tributes to the American shipbuilding industry are in order. Already they have come from Mr. Roosevelt, Mr. Churchill, Sir Arthur Salter and others. The occasion is the announcement of the Maritime Commission that, during the past twelve months, since the first Liberty ship was launched, 488 ships have been completed, a total of about 5,450,000 deadweight tons. Deliveries in September are expected to reach the record-breaking total of 90 ships and about 1,000,000 deadweight tons, an average of three ships a day. The goal of 8,000,000 tons in 1942 is almost certain of achievement, and the 1943 goal of 10,000,000 deadweight tons "reasonably certain." Average

production time for Liberty ships has been reduced from 241 days to 70; but Mr. Kaiser's magic, which has assembled the parts of a Liberty ship and launched it ten days after its keel was laid, and delivered the ship four days later, suggests that even this average may be very sharply cut. The improvement in production in September compared with August, when only 68 new merchant ships were delivered, is the best proof of the rightness of the Maritime Commission's decision to abandon the Higgins contract and concentrate the flow of materials into yards already in production. During August, a number of yards had to slow down because of the lack of steel. Todd's Richmond yard had 6 out of 21 shipways idle, California Shipbuilding had 2 idle out of 14, and Bethlehem-Fairfield two idle out of 16. It was this idle capacity, which, once the flow of materials was reorganised, made possible the sharp increase in September. Sir Arthur Salter has stated that, at last, the building of the United Nations has caught up and surpassed U-boat sinkings, and has pointed out that every ton of steel going into a ship means seven tons a year more of armaments and supplies to the battlefronts. For this turning of the tide too much praise cannot be given to American shipbuilders and shipyard workers, many of whom were completely new to the industry—which, incidentally, explains in part why, despite these achievements, productivity per man-hour in Britain remains appreciably higher through the whole process of shipbuilding from start to finish, and not simply in assembly, than in the United States.

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Rubber Conservation

The recommendations of the Baruch Committee to conserve the nation's stock of tyres are being put into effect with no loss of time. Mr. William Jeffers, the Rubber Administrator, has requested the Office of Price Administration to institute nation-wide petrol rationing, and the Office of Defence Transportation has announced the imposition of a 35 mph speed limit for all rubber-tyred vehicles. In addition, motorists will have to submit their tyres to Federal inspection every 60 days. Petrol rationing on a nation-wide scale probably will begin on November 22nd, and the basic ration will be slightly less than 4 gallons a week. The extension of petrol rationing outside the present rationed area, which includes 17 states, will involve very heavy sacrifices and the drastic reorganisation of American national life. The inconveniences have been sufficiently great in the East, but in the Middle and Far West, where distances are so much greater and public transport comparatively undeveloped, an almost unbelievable revolution will be caused by the orders. The September 21st issue of *Time* lists some of the effects: 12½ million people living in communities without any public transport will have to travel almost entirely on foot (ownership of bicycles in the United States normally, is largely confined to children, and new production has stopped almost entirely); 10 million farmers and their families will relapse into the isolation of forty years ago; the \$3,000 millions a year roadside stand and tourist camp industry will wither away; immense revenues will be lost to state governments, which have depended very heavily upon taxes on petrol and cars. This dismal forecast may be somewhat modified by administrative decisions on the granting of supplementary rations, but if the Baruch Committee is taken seriously—and there is every sign that it is—these modifications, while they may prevent complete isolation, will not be very great. Apparently, the reduction of average mileage per car from 6-7,000 per year to less than 5,000 is to be achieved in the only practicable way, by the control of petrol. Even so, the administrative problem will be immense. It is fortunate that the Office of Price Administration has already encountered many of the prickliest problems in rationing the East. But there at least there was the physical absence of petrol to drive home the urgency of economy; in states where petrol flows like water, the job of persuading the public to accept a major revolution in their lives will be more difficult. The task of enforcing a speed limit of 35 mph and of providing for tyre inspection will also be formidable. No Federal organisation or police exists that can be entrusted with these duties; they will have to be undertaken by the state governments, which means that enforcement will vary widely from state to state. When all this is said, however, the fact remains that the rubber shortage is at last being squarely faced, and the necessary action is being taken without hesitation or political calculation.

THE WORLD OVERSEAS

Canada's Airmen

(From Our Ottawa Correspondent)

September 14th

THE plan of the Canadian Air Ministry to draw thousands of Canadian airmen scattered throughout the Royal Air Force into distinctive Canadian air commands in Britain is well under way, although it has encountered heated opposition from "imperialist" opinion in this country, which has raised the cry that this proposal means splitting the British Empire. The plan has the support of the majority of Canadians, and, judged by the comments made by Air-Marshal H. E. Edwards, Air Officer Commanding the Royal Canadian Air Force overseas, it has the support of the overwhelming majority of Canadian airmen serving in Britain.

Apart from the bickering between extreme nationalists and ultra-imperialists on this and other issues—a feature of Canadian affairs that seems to continue indefinitely, and which moderate Canadian opinion deplores—the proposal to "Canadianise" the RCAF in Britain appears to most Canadians as a logical development. Canadians take pride in their achievements in mobilising air power. Promptly after the outbreak of war, the first agreement covering the Commonwealth air training plan was drafted. It dated from December, 1939, and extended to June, 1942, when it was replaced by a fresh agreement, following conferences of the parties concerned in Ottawa. This new agreement provided for the policy of Canadianisation, as far as Canadian airmen were concerned. "A Canadian bomber group will be formed as soon as there are enough RCAF squadrons in existence to make this an economic formation," said that agreement. On his return from a visit to England recently, Mr. C. G. Power, Minister of Air Service, announced that a Canadian fighter group would also be formed in Britain.

The proposed Canadian bomber group will comprise 10 to 20 squadrons, and the fighter group, from 20 to 30 squadrons, making a total of 40 RCAF squadrons co-operating with the RAF.

From Training to Command

Through nearly three years, the Commonwealth air training plan has expanded steadily in Canada. It has graduated thousands of airmen who have entered the RAF. Canadian graduates are now scattered among 700 different units of the RAF. But the training plan has tied up most of Canada's senior officer material in administrative work at home. It delayed formation of distinctive Canadian units, although a policy of organising RCAF squadrons was adopted in 1940, and developed slowly, until there are now 25 RCAF squadrons in service in Britain. The pace of production of air crews has furnished tens of thousands of Canadian airmen. There are, for instance, 2,000 Canadian airmen under the Middle East command, but only one full-fledged RCAF squadron in that theatre.

Mr. Power estimated that the task of administering the air training plan has tied up personnel for 25 to 30 squadrons.

After the war, [he said recently] we must not be looked upon only as a nation that trained men and did not participate in the actual fighting. In the last war, Canada won her status because her troops fought as Canadians in Europe.

The policy of Canadianising the air force in Britain, therefore, represents the turning point at which the training of Canadian pilots and air crews can be used to create distinctive Canadian air commands overseas, instead of turning back a substantial part of the output as instructors and staff for training stations at home.

Fuel for the latent hostility towards the policy of Canadianisation was added by the forthrightness of Air Marshal Edwards, in a recent interview. He said:

Some people are talking a lot of bloody nonsense about splitting the Empire. If Canadians who see it from that point of view want to be mugs all their lives, that's their business. I can see no reason against Canadianisation.

This remark caused some Canadian eyebrows to arch, coming from a senior air officer. But majority opinion obviously supports Mr. Power. On the one hand, comment from the French-language paper, *Le Canada*, was:

Let our imperialists go into mourning! Canadian aviation will exist separately from English aviation on the battlefronts.

On the other, the *Toronto Globe and Mail* said:

What is the stigma attached to the RAF? The same exaggerated nationalism which drove different peoples at each other's throats is being pushed in Canada.

The RCAF and the War Effort

Mr. Power's reasons for Canadianisation were that the policy would aid the development of national sentiment among Canadians and pride in their air force, and that a distinctive air force would mark Canada's contribution towards fighting the war. Air-Marshal Edwards defended the policy on grounds that it would increase the happiness of Canadian boys in air service overseas and promote morale and efficiency. Speaking of the average Canadian boy in the Air Force overseas, Air-Marshal Edwards said:

The things that distract that boy can be readily adjusted only by Canadians. They involve dollars and cents instead of pounds and shillings. They involve Canadian methods of promotion and discipline. They involve the spiritual solace which he wishes to receive in the homely tongue of his fathers. They involve even the difficulty of finding baseball equipment in a country devoted to cricket.

The chief objection to the new policy deals with the question of the tactical direction of the RCAF. Mr. Power has been clear on this point, that Canada is finding no fault with the higher direction of air warfare by the RAF, and intends to co-operate fully in future with it. Personally, Mr. Power is known as an ardent advocate of air power as the decisive factor in the war. He is Canada's most notable exponent of this view, which was strengthened by his recent impressions of Air-Marshal Sir Arthur Harris's organisation for 1,000-plane raids on German objectives.

The Exploitation of Norway

[BY A NORWEGIAN CORRESPONDENT]

September 15th

SINCE May, 1940, German occupation expenses have been financed by direct loans from the Bank of Norway in Oslo. The Germans intend that these loans shall be repaid by the Norwegian state, so that the Norwegian people shall themselves meet the expenses of occupation. By the end of 1941, loans from the Bank of Norway already totalled some

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Kroner 3.7 milliards, and are estimated to be rising at the rate of Kroner 5-6 millions daily.

The deficit on the Norwegian state budget since the occupation is estimated at some Kroner 250 millions for the financial year 1940-41 and at Kroner 450 millions for the financial year 1941-42. In the current year, it is expected that the deficit will reach some Kroner 1,000 millions. The greater part of the deficit must, of course, be attributed directly to the occupation. It is financed in part by long-term Government borrowing, but chiefly by rediscounting Treasury bills with the commercial banks. The occupation authorities hope that Government borrowing will neutralise surplus purchasing power and will thereby prevent a rise in prices.

Inflation

There is, of course, general anxiety about the possibility of inflation. The circulation of paper money has reached proportions never before known in the history of Norwegian banking. The note circulation has risen by some 150 per cent since May, 1940, and, in the same period, production and imports have sensibly decreased. This anxiety is reflected in the inevitable stock exchange boom. With the whole investment public attempting to acquire a title to real property, equity prices have soared; shipping shares have risen in price 100 per cent since May, 1940; industrial issues by 90 per cent and bank and insurance shares by between 30 and 40 per cent.

Loot and Dearth

German plunder has considerably reduced the Norwegian national capital. Lack of fodder has been responsible for greatly increased slaughtering, and it appears probable that herds of cattle have been reduced by at least 35 per cent and the total number of pigs and poultry by some 45 and 70 per cent, respectively. There has been a very marked increase in the consumption of timber, both for military construction and for fuel in view of the blockade. Fish has become increasingly scarce, and much bitterness is felt over the introduction of very severe fish rationing in a country possessing one of the greatest fishing industries in the world. In 1941, the total catch amounted to only 60 per cent of normal, of which at least 70 per cent had to be sent to Germany. The fall in the catch is due partly to the closing of many of the best fishing grounds by the German navy and to the shortage of fishermen, vessels and equipment. Some 500 vessels have been requisitioned by the German navy and many are serving the Allied cause.

Industrial production is relatively normal. Many factories, especially in the iron and steel industries, are under German control, while shipyards and the motor industry work mainly on German orders. A number of industries, including textiles, tanning, tobacco, brewing and food production suffer from an acute shortage of raw materials.

Exploitation takes many forms. Livestock are being slaughtered, pre-war stocks run down, factory plant and equipment worn out. Perhaps the most subtle form of exploitation is, however, the fiction whereby Norway has incurred a clearing debt to Germany. The account is, of course, only charged with the expenses of occupation to a negligible extent. The Norwegian side of the account is charged with German imports into Norway, bought by the Germans in Norway with money requisitioned from the Norwegian central bank. Norwegian exports, which "pay" for these imports, pay in fact for German consumption in Norway. Up to the present, Norway has been saddled with occupation expenses which are relatively heavier than those of any other occupied territory.

War Metals from South Africa

[BY A CORRESPONDENT]

SPEAKING at a meeting of the Chemical, Metallurgical and Mining Society in Johannesburg a few days ago, Mr H. J. Hofmeyr, the South African Minister of Finance, produced a new argument for the maintenance of the country's record gold output. This time the argument was not based on economic or financial considerations, but on political grounds. Because South Africa has not a homogeneous public opinion, Mr Hofmeyr argued, the country is much

more sensitive to economic shock than other nations. Nothing could give South Africa a greater economic shock than a curtailment of its gold production, and, according to Mr Hofmeyr, there are "many politicians in South Africa who are eagerly awaiting just such a heaven-sent opportunity."

Whether this new argument will satisfy the critics of South Africa's mining policy, especially those in the United States, remains to be seen. At any rate, the criticism of the South African Government is not primarily directed against the maintenance of the gold output as such, but against the unsatisfactory state of South Africa's war metal production compared with that in the gold industry. Recently, Colonel Stallard, the Minister for Mines in the South African Government, pointed out that the maintenance of the gold output would not interfere with the development of the mines producing "strategic metals." Nothing would more effectively stop the critics of South Africa's present mining policy than putting this statement to a practical test. Although definite information on the size of South Africa's current production of strategic metals is not available, there are indications that, after a decline in operations in the first year of war, South Africa's output recovered gradually in 1941 and the early months of 1942 and will be pushed ahead more rapidly as a result of the work of a United States Mission during its recent visit to the Dominion.

The serious drawback of South Africa's mining industries other than gold is, of course, the fact that up to the outbreak of war gold inevitably proved such an attraction to the Dominion's mining interests that comparatively little had been done to develop the resources of "strategic" metals. At the outbreak of war, only about 7 per cent of the capital of South Africa's mining companies was accounted for by companies producing other minerals than gold, diamonds and coal, and in the record pre-war production year of South Africa's industrial mineral industries (1937) the mines, other than gold, diamond and coal, employed only 1,178 Europeans and 16,136 natives, compared with over 40,000 Europeans and over 300,000 natives employed by the Transvaal gold mines. In manganese, however, the South African Government helped private interests by linking the Postmasburg and Kuruman districts to the Union's railway system in 1935 and by extending the port loading facilities at Durban. Within two years, the South African production of manganese ore rose from less than 100,000 metric tons to over 631,000 metric tons. The bulk of this went to Germany, and the Dominion became Germany's largest manganese supplier in the years immediately preceding the war. After the loss of this market, production, owing to the lack of demand, fell to 412,000 tons in 1940. It picked up slightly in 1941, but has so far remained below the 1937 peak, which itself was well below the potential output, estimated at over 750,000 tons per annum. Recently, however, Colonel Stallard, the Dominion's Minister for Mines, pointed out that large quantities of manganese are now being shipped to the United States.

Chromite and Copper

Two other South African metals are engaging the attention of the critics of South Africa's present mining policy. The chromite mines attracted little interest before the war, especially as the deposits (mainly in the Transvaal and Natal) are situated too far away from the chief consuming centres. Nevertheless, production advanced to about 175,000 metric tons per annum before 1939, though it has shown a falling tendency since war broke out. With the necessary capital and equipment, the chromium output could be increased fairly rapidly, especially as transport costs are less important in periods of maximum consumption like the present. The other metal is copper. Output has been fluctuating between 10,000 and 15,000 metric tons for many years past. During the 1937 copper boom, however, the O'okiep Copper Company, with a capital of £1,600,000, was formed with the help of United States and Rhodesian copper interests to develop low-grade copper deposits in Namaqualand. It was then expected that within three years production could be raised to 50,000 tons per year. Development work, however, was largely curtailed before the war, and as the latest official production statistics show, the Namaqualand deposits were not yet in production last year.

The Union has sizeable reserves of other strategic metals, including tin, of which a new deposit has just been discovered across the border of South-West Africa. In most cases, much preliminary work will be necessary to assure a surplus over South Africa's domestic needs. Development of the manganese, chromite and copper deposits, however, would not only strengthen Allied supplies of three of the

most important strategic metals; it would also tend to set South Africa's mining industry on a broader and thus sounder basis. The importance of this from South Africa's point of view was clearly stressed in Mr Hofmeyr's speech.

Palestine's Food Problem

[FROM OUR JERUSALEM CORRESPONDENT]

August 16th

THE sharp curtailment of imports, inevitable since the deterioration in the shipping position in the Indian Ocean, has made food supplies for the civil population of Palestine a problem of vital importance. Palestine's biggest imports have been, apart from building materials, grain, animals for meat, oil-seeds, vegetables and sugar; and it is clear that the fall in imports of these must be very severe. But cattle, which were formerly imported from the Balkans, are now brought chiefly from Turkey, and it is hoped that the new Haifa-Tripoli railway will further assist this traffic. Ground-nuts and copra have been mostly replaced by cotton-seed, which is imported from Egypt. Sugar, also, comes from Egyptian refineries. The shortage of vegetables and potatoes has been to some extent made up by the increase in local production—the potato crop has doubled since 1939, and total production of vegetables in 1941 was about 190,000 tons, compared with 129,000 tons in 1939. The weak point, therefore, remains the supply of cereals for human consumption and for the maintenance of local animal farming, on which the production of milk and eggs depends.

Palestine's total wheat consumption has been estimated at about 200,000 tons per annum; but only half of it is covered by local output, and about a quarter is usually supplied by Trans-Jordan. The remainder has been normally imported from overseas, for Middle Eastern wheat only consists of the hard varieties, which are disliked by the urban population of European origin; yet, in present circumstances, this quantity too could have been obtained from neighbouring countries. The same is true for other cereals, with the possible exception of rice, which is now being supplied by Egypt in limited quantities. However, Palestine's dependence on cereal imports should not be overstressed. Its own cereal production has been steadily growing, partly through the development of Jewish intensive farming, and partly through the expansion of the area sown by the fellaheen, especially under the inducement of the high wartime prices. If vigorous steps had been taken for introducing modern methods of cultivation, it should have been possible to increase local output even more; but, unfortunately, too little has been done in this respect, and the average yield per dunum remains very small.

In 1940, Palestine enjoyed a bumper crop of 136,000 tons of wheat, but, in 1941, yields were poor and the total did not exceed 90,000 tons. This year, the acreage sown was about 30 per cent higher than that of 1939, and the wheat crop has been authoritatively estimated at about 110,000 tons, but other cereals are reported to be above average, and large surpluses for export are also expected in neighbouring countries. On the other hand, the demand for wheat has been reduced by increasing the milling ratio to 90 per cent and by blending the "standard flour" with barley to the extent of 30 per cent. Above all, the supply for human consumption could be maintained without having recourse to imports from overseas, as is shown by the following figures:—

	(Thousands of Tons)			
	1939	1940	1941	1942
Local wheat crop	89	136	90	110*
Supply from Trans-Jordan	34	52	25*	55*
Imports from overseas (incl. rye)	121	62	89	...
Substituted by barley	...	...	...	35*
Total wheat for human consumption	244	250	204	200*

* Estimates.

Black Market in Grain

The statistical position is apparently encouraging, especially as the supply during the preceding years was clearly over the genuine demand, and substantial stocks are supposed to be kept in reserve. But, in reality, the problem is greatly complicated by the difficulty of obtaining the grain from the growers. Although this year a Government monopoly was established in the grain trade, it did not prevent the existence of a "black market" for cereals, where prices are appreciably higher than the official ones, which are already nearly three times, and even four times, as high as

in peacetime (£P23-35 per ton for wheat and £P16 per ton for barley on the threshing-floor). The Government buying agencies, therefore, are encountering great difficulties in obtaining the necessary quantities of grain. Actually, production costs for the primitive fellaheen farms have not increased substantially, and agricultural wages have risen only moderately. The steep rise in cereal prices is, therefore, to be attributed to the additional military demand, and to a general tendency to speculation on the part of the local peasants and merchants, which has been lately very much strengthened by the fact that prices prevailing in Syria are far higher than those fixed in this country. The heavy demand coming from a country, which in normal times used to export grain, supports the rumours that Syrian wheat is being sent to Turkey, which is serving as a transit market for supplying German Europe.

Obviously, blame for the situation cannot be put on the local authorities alone. From the beginning, it has been clear that the grain monopoly could be put into effect only if standard prices and a uniform marketing policy were maintained throughout the whole area of the Middle East. But, meanwhile, stocks of cheaper imported wheat have been exhausted; the price of flour has consequently been raised to £P30 per ton, and even at this price the Government is suffering a loss of about £P4 on every ton of flour. A corresponding rise in bread prices has been the result, and if this upward movement is not stopped in time, a further general rise of prices is likely.

Books Received

- Poland's Freedom on the Sea.* By H. Baginski. (Kirkcaldy) The Allen Lithographic Co. 137 pages. 12s. net.
- Three Aspects of Labor Dynamics.* By W. S. Woytinsky. (New York) Social Science Research Council. 249 pages. \$2.50 net.
- The Social Life of a Modern Community.* Yankee City Series, Vol. 1. By W. Lloyd Warner and P. S. Lunt. (London) H. Milford. 460 pages. 24s. net.
- The British Columbia Fisheries.* By W. A. Carrothers. (London) H. Milford. 136 pages. 9s. net.



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Letter to the Editor

Marine Insurance

TO THE EDITOR OF THE ECONOMIST

SIR,—In the interesting article on Marine Insurance in *The Economist* on August 29th, a statement is made that "The insurance on sea resulted in an unnecessarily large loss for the Treasury." This does not agree with the facts.

In 1919, the Government published the results of the insurance operations of the War Risks Insurance Office, which showed that the office received in premiums £197,797,800, and paid away in claims £171,462,800, showing a profit of £26,335,000. Of this profit, £10,640,000 was due to Aircraft and Bombardment risks, so that the actual profit on the marine side was £15,695,000. There was a

loss on cargo war risks because the Office stupidly maintained a fixed rate for all voyages, irrespective of the danger, and the result was they did not get the best risks. That account showed a loss of £11,000,000, but from March 7, 1917, when differential rates were fixed—that is, for only eight months—there was a profit of £3,500,000. Instead of an "unnecessarily large loss," therefore, the Treasury received a handsome credit for more than £15½ millions.

Yours faithfully,

Lloyd's.

BROWNING DICK.

[The statement criticised by Mr Browning Dick was meant to refer to cargo insurance, which, as he shows, involved the Government in a substantial loss.—EDITOR.]

Russia at War

The Coal Crisis

THE gravest problem which Russia, since the loss of the Donetz basin, has now been confronted is the shortage of coal. As Mr Willkie pointed out in a recent statement, millions of Russian families will have to go without fuel this winter. Civilian needs have to be set aside in view of the more pressing requirements of the war industries; and the Russian population seems to have reconciled itself to the prospect of a bitter winter with the same grim determination with which it endured very similar conditions during the civil war—more than two decades ago. During those years, most of the Russian homes were warmed with peat and wood; in many a town, people were compelled to use their own furniture for firewood; and not a few of the families of the Russian intelligentsia had to use their fine collections of books and paintings for the same purpose. (It was this sad necessity which at that time made a world, unaware of Russia's tragedy, accuse the new régime of iconoclastic excesses). The same tragedy may now befall Russia again, for the second time within the life of one generation.

Not only private houses, but also schools and offices will have to do without coal. The collection of firewood and peat has become an essential war-time duty of the Soviet citizen; special collecting brigades have been organised; stacks of logs piled up on the squares of Russian towns have become the typical feature of the urban landscape; and the press has been critically watching and reporting the collection campaign, dealing out praise for good work and blame for failures.

The available supplies of coal are probably being allocated to heavy industries and armament works. Textile factories have been instructed to switch over to peat and wood. Railways will only partly be able to run on coal; they, too, will have to rely largely on peat and wood. The refuelling of long distance locomotives has been re-organised on a mixed coal-peat-wood basis; on some lines, coal or peat will be provided, but on the long stretches running across forest country they will have to refuel with wood *en route*. A very considerable slowing down of transport is hardly avoidable under such conditions. Coal is probably allocated mainly to the railways which run closely behind the fronts or to special military traffic, where speed is most essential. The position even in the heavy metal industries is causing some anxiety. It has, for instance, been disclosed that the Magnitogorsk industries have succeeded so far in storing no more than 70 per cent of the fuel which will be needed for the winter; and Magnitogorsk is now the greatest centre for production of metal and munitions.

Strict economy in coal consumption has been introduced in those factories to which coal has been allocated. Armament works have arranged special graphs to control the rate at which fuel is used; and the obligation to save so many tons of coal appears invariably in all the contracts of "industrial emulation."

The margin for fuel economy has been very largely exhausted. Only a substantial increase in production could substantially relieve the strain. But there is something of a "coal crisis" of production, too. Reports on coal out-

put in the Kuznetsk and Karaganda basins—the only two important Asiatic mining centres—have struck a warning tone recently. Not only have the coal mines of those regions not been able to expand output to the full figure planned, they are also—to quote *Pravda*—"supplying considerably less coal than they could and should supply." Figures of production have not been published for a long time; but a rough guess at the 1941 output puts the total at something over 60 million tons—compared, say, with the more than 200 million tons produced in the Ruhr area and in Silesia.

The difficulties in the pits can be explained by a variety of reasons. Some of them can be removed by a very energetic production drive; others can hardly be remedied for the present. A temporary hold up was caused by transport shortages during the early part of the year; the railways were unable to carry away all the coal from the mines. Coal piled up at the pits; and the subsequent fall in output may have been due either to the physical impossibility of storing any more accumulated stocks or to a false sense of security on the part of the managers who, with large stocks before their eyes, may have allowed production to slacken. Recent articles in the press have blamed the managers—though it was admitted earlier that transport shortages were mainly responsible for the hold up. Another difficulty has been the supply of labour. The total labour supply has been sufficient, numerically, but its distribution between underground and surface staffs has been unbalanced. In the Karaganda basin, for instance, the mines have been undermanned with hewers and loaders, while surface staffs have been, perhaps, a fifth more than adequate. Yet another explanation suggests some slackness on the part of the miners; the careless use of machinery, resulting in frequent breakdowns, has also been mentioned. "A considerable section of the miners [says *Pravda*] do not fulfil their output quotas." Most of the mines of Kuznetsk and Karaganda take no part in "industrial emulation." Last but not least—probably, in fact, most important of all—difficult living conditions, and particularly poor housing, coupled with very long hours (12 hours a day seems to be the present average) could hardly fail to affect the productivity of labour adversely.

The Government has resorted to the "mobilisation" of the party organisations, as is usually the case when bottlenecks arise. Party members in the mines have been removed from surface jobs and sent underground to inspire the miners to greater effort by personal example. Apart from this:

the secretaries of the party committees and the party organisers must systematically visit the mines to see how the coal is being sent up from the mines, visit the places where the coal is loaded into wagons, penetrate into the heart of things, get to the bottom of the reason for all shortcomings and defects, working for their immediate elimination.

But the Stakhanovite method of work may itself have contributed somewhat to the present difficulties. The press suggests that some coal managers have been hunting for impressive statistical records, which more frequently than not have been the records of individual workers, not at all representative of the average level of productivity. An even pace in output can hardly be attained by a method in which more attention is paid to the records of "1,000 percenters" than to the efforts of the great mass of miners.

THE BUSINESS WORLD

Private Traders

THE exigencies of war have radically changed the composition, direction and organisation of British overseas trade. The composition and distribution of imports and exports, like industrial production, are determined by the need for building up the staying and striking power of Britain and its Allies, within the limits set by available shipping capacity; the shortage of shipping has dictated that supplies should be drawn from the nearest sources without regard to pre-war practices; and, especially before Lend-Lease, the distribution of imports and the size of exports have been influenced by the availability of foreign exchange. The adaptation of overseas trade to war conditions inevitably involved complete Government control over shipments to and from this country; the Government must obviously decide what use is made of available shipping space. Equally inevitable was the Government's decision to enter the field as an importer and, to a lesser extent, as an exporter. Apart from the large volume of military traffic, imports now consist almost entirely of essential raw materials and foodstuffs, which the Government can often handle more appropriately than private organisations by means of bulk purchases. Exports are confined to certain finished goods, designed to meet the essential needs of the Empire, America and other customers. The Government acts through its departments or through the United Kingdom Commercial Corporation—its agent—as buyer and seller of goods to or from overseas Governments and private firms. In consequence of the Government's intervention in overseas trade and of the change in the composition of the traffic, the volume of private trading has suffered a severe shrinkage; and the private trader, moreover, often labours under difficulties.

The Government has an advantage over the private shipper or importer, in that all the formalities which have had to be introduced for the control of foreign trade can be swept aside when a Government department decides to conclude a transaction as part of its general programme. When the initial negotiations have been carried through and the order is placed, the Government department concerned, unlike a private trader, is not hampered by a multitude of rules and regulations. Difficulties can be overcome by a stroke of the pen. The very department which has introduced the rules and regulations can disregard or change them to suit its purpose. On the other hand, when a private firm encounters difficulties which may be due, say, to lack of foresight on the part of a Government official, the authorities concerned often hesitate to introduce any change; it is inevitably very difficult for a private firm to obtain permission to deviate from regulations. The whole procedure of the Civil Service must be set into motion, and it takes a long time. This was illustrated when a system of quarterly import quotas was introduced for Empire or foreign goods, to be imported by private firms. In the case of seasonal products, producers cannot plan their output unless they know their customers' requirements a year ahead. Yet, when private importers tried to obtain an annual import quota, Government officials are reported to have refused to depart from the general system of quarterly quotas, even when this did not necessitate any change in the shipping programme—and involved the risk of a shortage of essential goods.

Originally, this policy of quarterly quotas was applied mainly to imports, regardless from what source they came, Empire, Allied or neutral. Exports received greater consideration, especially during the first two years of the war, when imports were largely determined by the supply of foreign exchange. But in proportion as the export drive became less important—first by the introduction of Lend-Lease and, after America's entry into the war, by the pooling of the resources of the United Nations—Government officials dealing with export licences and shipping

space changed their attitude towards private shippers, and became less tender.

Exporters and importers, because it became more and more difficult to carry on foreign trade under war conditions, sought strength in collaboration. They formed associations, most of which enjoy some measure of official blessing. These semi-independent co-operative schemes (which are usually attached to some Government department, according to the commodities dealt with) are now taking more and more trades under their control. Such schemes are mainly applied to minor commodities which the Government has not yet thought fit to import or export directly, but which are at the same time considered necessary to the war economy. The Government allows private traders to form associations with the object of controlling exports, imports and distribution. Government departments are, as a rule, in close touch, and control operations indirectly. Importers obtain information from the Government about the shipping space available for each country; as a rule, Empire countries obtain priority. The associations decide, in close collaboration with the shipping countries, to which shippers the available space should be allocated, and the Ministry concerned generally determines the price at which the goods are imported. When they arrive in this country, they are distributed by the associations to users in proportion to their pre-war consumption, and importers usually participate on a similar basis. The associations often arrange the collection of a levy on imports, out of which compensation is paid to importers whose sources of supply have been cut off by the war. In the case of exports, the governing factor is the shortage or absence of supplies. The export of such goods as are available for shipment is subject to licensing. These licences are usually individual and issued by the Board of Trade; but there are indications of the development of a system by which global export quotas may be fixed by the Government, while their allocation among export merchants is left to the association or export group of the trade concerned.

These semi-official schemes make use of the services and experience of the shippers—an excellent thing, where possible—and permit them to maintain contact with their

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customers, which is, of course, desirable so long as the war effort is not held back by this consideration. At the same time, they remove many of the obstacles put in the way of private importers and exporters by Government restrictions. Importers organised in such schemes obtain Government support for the shipment of all materials, machinery, tools and parts which are necessary to enable producing countries to manufacture the products concerned. The associations of importers work in close collaboration with manufacturers, distributors, packers or users of the commodities they deal with; an advisory committee, composed of both users and importers under Ministerial control, usually supervises distribution, which is often handled by a firm of chartered accountants, to whom all members of the trade make confidential returns.

The formation of traders' associations has assigned the private firms to retain at least part of their foreign trade. But most of the responsibility for the selection of overseas producers and shippers is left to the authorities in the shipping countries, which means that the selection of shippers and producers is made overseas. Buyers in this country are not enabled to select their suppliers, for the granting of import licences is necessarily conditioned by the export licences for shipments to Britain allotted to overseas countries. British importers thus have to accept offers from suppliers who have managed to secure export

licences; these offers are not necessarily the best that can be secured in the country concerned. Better results—from the viewpoint of individual British buyers, at any rate—might be obtained if the associations could advise the authorities in the shipping countries which goods they prefer.

Some of the complaints of private traders are legitimate; others are not. In the main, the difficulties of the private importer and exporter must be attributed to the war rather than to faulty Government policy. Strategic and other considerations impose frequent and often abrupt changes on imports and exports, and the nation's interests must prevail over those of private traders, even if this means a dislocation of their business. The introduction and growth of direct Government trading, and the consequent restriction of the private traders' sphere of activity, have been unavoidable. There can be no rigid dividing line between the two, no delineation of spheres of activity; when the needs of the war can best be served by direct Government trading, the private trader must yield. The needs are flexibility and efficiency—in trade as in production. But, subject to these conditions, the private trader, individually or collectively, should be allowed to go about his business without unnecessary restrictions and time-consuming formalities. And, where the nation's needs dictate his temporary elimination, due compensation should be the remedy.

Finance and Banking

The Turn of the Quarter

The turn of the quarter passed uneventfully in the money market. Although the discount market's tactics at the bill tender succeeded to the extent of securing for the syndicate a 55 per cent allotment of the bills which included the year-end maturities, the task of taking up this heavy allotment of bills occasioned no difficulty. This was partly due to the fact that the syndicate is in these days no longer allowed to concentrate its applications for bills on a particular day, but must to some extent spread them over the week. Thus the bills taken up on Wednesday, though they were the popular year-end maturities, were far from the market's total allotment for the week. The banks for their part had their position eased by having no Treasury deposit receipt payments to make this week. One may assume that, on the other hand, they had the benefit of almost the whole of the nominal current maturities of £20 millions. The bulk of these were probably due to mature on the final day of the quarter, and the banks would not have sacrificed these particular maturities by pre-encashing them. Although making-up complicated the position this week, the banks found themselves with adequate resources both to extend loans and to buy bills from the market. The Bank return, which was made up at the close of business on September 30th, shows that the disturbances to credit occasioned by the end-of-quarter factors to have been countered and smoothed with the customary adroitness of the authorities. Movements in bankers' deposits have been kept down to a net increase of £998,000, while public deposits have fallen by £1,543,000. This achievement is all the more noteworthy as the net withdrawal of notes during the week amounted to £6,273,000, carrying the active circulation to the new high record of £838,029,000. The main factor in ensuring an even keel in credit appears to have been Government borrowing on ways and means advances. This is reflected in a rise of £6,070,000 in the holding of Government securities. A rise of £14,106,000 in other securities can probably be linked with the accompanying expansion of £4,637,000 in other accounts.

Floating Debt Changes in September

The actual amount of Ways and Means borrowing at the Bank over the turn of the quarter is shown by the monthly debt return to have been £5,500,000. The debt changes between August 31st and September 30th, the period covered by the latest return, show a net increase of £257,334,000. Of this, £91,600,000 was accounted for by the floating debt. The principal movements here were an increase of £50 millions in Treasury bills (the return being made up on a Wednesday, it is impossible to split up the total as between tender and tap bills), and an increase of £65 millions in Treasury deposit receipts. The TDR redemptions over the month amounted to £85 millions, of which £11,500,000 represented pre-encashments to cover subscriptions to new Government issues. Ways and means advances from public departments fell by £28,815,000. As regards longer term issues, Tax Reserve Certificates evidently retain their attraction, and though the machinery of these certificates is now functioning both ways and £9,533,000 were redeemed last month in payment of taxes, a further £39,990,000 of new certificates were issued.

Financing Expenditure

The following table summarises the Exchequer returns of the financial year to date (September 30th) and shows the respective shares of revenue and borrowing in meeting expenditure:—

£000		£000	
Total ordinary expenditure...	2,594,024	Total ordinary revenue.....	1,163,050
New Sinking Funds.....	6,233	Loans raised:—	
Loans repaid:—		3% Def. Bonds (net).....	54,688
National Savings Bonds...	2,507	3% Savings Bonds 1955-65	46,080
Increase in balances.....	357	3% Savings Bonds 1960-70	154,634
		2½% Nat. War Bds. 1949-51	203,176
		3% Funding Loan 1959-69	121,650
		Nat. Savings Certs. (net)...	90,450
		Tax Reserve Certs. (net)...	185,822
		"Other debt" (net).....	210,280
		Floating debt (net):—	
		Treasury Bills.....	72,658
		Bank of Eng. Adv.....	5,500
		Public Dept. Adv.....	30,455
		Treasury deposits.....	264,000
		Miscellaneous receipts (net)...	678
	£2,603,121		£2,603,121

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

Window-Dressing in August

With the publication of the Bank of England Statistical Summary for August, the data are now available for continuing, in respect of that month, the calculations of clearing bank window-dressing which appeared in *The Economist* on September 12th last. Bankers' deposits in August averaged £133,800,000, the corrected figure for

clearing banks being £127,000,000. The clearing banks' till money for the month averaged £152,000,000, making a total of clearing bank cash, taking the average Wednesday figures, of £279,000,000. Against this, the August aggregate return of the clearing banks showed total cash holdings of £351,000,000. On that figure—the result of the customary window-dressing operations—the cash ratio appeared to be 10.6 per cent. On the true cash figure, the ratio would have been 8.4 per cent, giving an index of disparity of 21 per cent, which compares with 18.1 per cent for July, and averages of 17.1 per cent in 1941, 9.4 per cent in 1940, and 8.3 per cent in 1939. The trend towards more vigorous window-dressing is, therefore, still evident. In comparing the disparity between true and published cash ratios now and before the war, it must be remembered that the pre-war Wednesday figures on which the "true" figures are calculated were more affected by window-dressing than they are to-day. This is because four out of the eleven clearing banks make up on Wednesdays, and before the war they did so four and sometimes five times a month, whereas now they only do so once a month. But this consideration does not affect the comparison between the current figures and those for 1940 and 1941, all of which are truly comparable; and it does not invalidate the contention that the extent of window-dressing has been increasing since the war.

Another point which should be borne in mind is that in the matter of window-dressing the practice of different banks varies widely. All banks tend, quite naturally and justifiably, to let their till money run down over the week-end, since they do not attempt to remedy the effect of heavy week-end wage payments on their total cash by calling in loans from the market. But apart from this general tendency, wide variations of practice are to be found. One at least of the banks makes no attempt to window-dress its position by calling in loans on its monthly making-up day. Since this institution is far—very far—from being the smallest of the clearing banks, the impact of its policy on the aggregate figures is quite considerable, and places the showing of the other banks in a more unfavourable light than the combined returns would indicate. Among these other institutions, it is safe to assume that views as to the minimum below which the cash reserve must on no account fall, are far from unanimous; and, if daily average cash ratios were published, it would not be surprising to see certain banks showing a figure almost half that presented in the window-dressed return. Many would applaud this economy in cash as evidence of the flexibility of the credit mechanism and of the confidence commanded by the banks. They should be given the opportunity of marking their approval. It would be a very desirable innovation if all the clearing banks were to publish the average of their daily cash ratios as a footnote to their monthly returns.

South Africa's Balance of Payments

The comments of the Governor of the South African Reserve Bank, Mr J. Postmus, on the report for the year to March 31st last, were largely devoted to the question of the favourable balance of payments which the Union has enjoyed for the last few years and to the mechanics of the debt repatriation operations which have taken care of the greater part of that balance. No precise estimates can be given, as no statistics of South African imports and exports have been published since the war. But it was suggested by Mr Postmus that the surplus in the balance of payments had been by far the most important factor in the expansion of bank credit in the Union during the year under review. He added that the repatriation of Government sterling debt to the amount of £32,506,000 in the twelve months to the end of last March, had mopped up the bulk of the Union's external balance of payments for the year. This, however, tells very little, because the final balance has evidently been struck after allowing for the considerable transfers of South African securities, mainly gold shares, from British to South African ownership during the period. From the remarks of the Governor on the technique of debt repatriation, it is evident that the Union of South Africa maintains the policy of holding the favourable balance of payments in gold. On the occasion of the vesting order covering some £32,000,000 of South African sterling securities, the Reserve Bank provided the sterling required by selling gold to the British Treasury for the amount in question. The bank then took over the requisitioned securities which were subsequently retired by the Union Treasury as and when the proceeds of two issues placed in the domestic market mainly for this purpose became available.

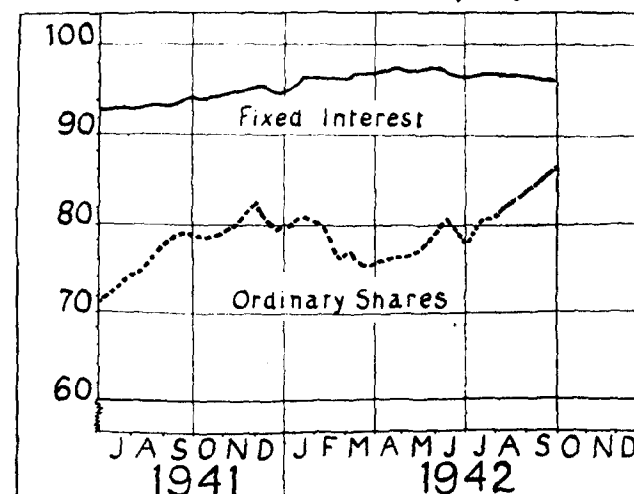
It is in the light of this operation that the rise in the Reserve Bank's investments during the latest financial year must be interpreted. On March 31st last, they amounted to £18,566,000 against £1,681,000 a year previously. The increase represented sterling securities temporarily held pending their redemption by the Union Treasury. It was not an indication of a change of policy whereby the Reserve Bank had begun the accumulation of sterling investments. Nor was the increase in overseas bills discounted from £490,000 to £6,043,000 to be so regarded. It was explained by the transfer, towards the end of the Reserve Bank's book-keeping year, of a substantial amount by the United Kingdom authorities to meet war expenditure in the Union. Hence, it may be deduced, the policy of the Reserve Bank is to keep its sterling assets down to a minimum, and to accumulate in gold the favourable balance of payments, after allowing for the continued repatriation of various types of capital. Mr Postmus took it for granted "that the present price of gold has come to stay" and that "the future of gold is better assured than ever before." On these assumptions, of course, all should be well with the Reserve Bank's policy.

Investment

The Demand for Equities

The month now ended has brought an almost daily appreciation in the market values of British industrial equities, thus continuing the movement of July and August. Although the rise is faltering, there is no evidence that it is ended. There is a curious consistency in the movements of equities in the third quarter over each of the past three years. Each year has brought a marked rise, amounting to 10.2 points in *The Financial News* Index in 1940 to 6.1 in 1941, and to 8.6 this year. In 1940, the rise continued for another six weeks; in 1941, it began some eight weeks earlier. If the rises for the extended periods are given, the figures become 22.3, 13.2 and again 8.6. On the more extended period, the index of fixed interest stocks rose 9.2 points in 1940 and 3.0 in the following year, but this year is virtually unchanged. Comparing the three peaks—not necessarily peaks for the year—the yields of *The Actuaries' Investment Index* were 6.88, 5.25 and possibly something like 4.85 for equities, while the corresponding figures for 2½ per cent Consols are 3.33, 3.05 and 3.04. This would seem to go some way in support of the belief that the rise in equities is now based on considerations other than a falling rate of interest. When it is considered that, despite increased Government expenditure—which must mean

FIXED INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935=100)
Financial News indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares



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higher wage bills—and reduced opportunities for satisfaction of current consumption requirements, the total of Government issues is scarcely increased above the 1941 level, it begins to look as though there is an increasing element of hedging against inflation in the buying. The rise has been accompanied by a very considerable widening in the selection of investors taking part. The fact that bargains received touched a high on Monday last for the present system of marking bargains means very little, since the comparison dates back only to June. It is, however, interesting to note that more than one jobber claims to have done more bargains recently than at any time during the war. The general level of business is still said to be moderate, and the impression gained is that investors all over the country are now in the market, rather than the professional or the bigger financial and industrial concerns.

Stock Exchange Statistics

The report of the Committee for General Purposes of the Stock Exchange, London, for the year to 24th March last has just been received. One interesting calculation is the market valuation of quoted securities as on April 7, 1942. Securities quoted in the official list declined in number by 50 to 5,501, but the market value of the reduced number was some £17,457 millions against £15,224 millions for the larger number a year before. The bulk of the rise was due to further issues of existing Government loans, the market valuation being up by £1,865 millions, but there was also a marked increase in the commercial and industrial list, despite a decline in nominal value. For the supplementary list, the number of securities quoted rose from 4,270 to 4,326 but the nominal value fell from £1,166 millions to £1,157 millions, and the market value from £1,250 millions to £1,237 millions. In detail, many sections show increases, and the fall is due primarily to a drop in market value from £549 millions to £495 millions in the mining sections, due presumably to the overrunning of Malaya and Burma. Unhappily, this item is not split into its usual geographical divisions. The record of marks received, and such comparisons as are given for the activities of the Share and Loan Department, suggests an appreciable expansion in the number of bargains done, if not in total turnover. It will be recalled that this has been carried out with a staff, reduced in numbers and increasingly representing, either new recruits, or those returned from retirement.

Montreal Negotiations

The representatives of the City of Montreal are now safely home once more. During their visit to this country, there were full and frank discussions with the British Stockholders' Committee. Relations were cordial, and there is understood to be good hope that a new plan will be evolved satisfactory to all. Messrs. Asselin and Marler were, however, far from being plenipotentiaries, and although they are head of the Council they cannot necessarily carry the Council with them. It must be understood that the whole matter is at large. The Council having rejected a part of the original plan of the Canadian Committee, the whole thing falls to the ground, and a new start has to be made. In a sense, this facilitates the task of taking full account of the views of this country as to the treatment which should be accorded to the sterling issues. But nothing has so far transpired which removes the possibility that the sterling loans will receive special treatment, insofar as the terms of their issue entitle them to it. One point, which has not been sufficiently stressed, is that Messrs Asselin and Marler are new men since the default. They are responsible neither for that, nor for the financial methods which led up to it. What is essential is that there should be something like a guarantee of sound finance for the future. The plan broke down largely because the system of control by the Quebec Municipal Council, even as then amended, proved unacceptable. The problem is to amend this further, but to secure reasonable assurances as to the future, as well as reasonable terms of reorganisation. Against the tangle of local politics this may not be easy, but there are apparently some hopes that it will be achieved.

Third Quarter's Capital

New capital issues in the third quarter of 1942 were the lowest for the year, although the nine months' total is

still above the 1941 level. As in the second quarter, there was a further decline in the total of Government issues, but, unlike that period, there was also a sharp reduction in the total of non-Government issues. Total issues for the third quarter amounted to £301,553,100, including issues by "permission to deal," against £351,296,500 for the corresponding quarter of 1941, while Government issues amounted to £299,967,300, against £348,140,300. There were few notable industrial issues, and the total of the important miscellaneous manufacturing total rose only by £471,300, made up of a number of small items. The most substantial new offer of the quarter was the issue of £1,960,000 Electricity (Civil Defence) 3 per cent debentures by the Central Electricity Board. In the realm of Government issues, there was a recovery in the popularity of 2½ per cent National War Bonds, which brought in £133,039,374 against £94,217,769. Savings Certificates, Defence Bonds and 3 per cent Savings Bonds all brought in less than in the second quarter, the biggest fall being that in Defence Bonds from £40,784,755 to £23,666,005. The outstanding feature of the quarter has been the number of conversion issues, following the lifting of the Treasury ban. Thus, out of a total of £26,989,173 for the first nine months of the current year, third quarter conversions accounted for £20,724,069, among which the LPTB conversion of over £12,000,000, and the number of brewery operations were notable. The comparable figure for the third quarter of 1941 is £4,062,600. The new capital applications, which are analysed in three tables below, suggest, above all, the need for stimulating the sale of Government issues.

TABLE I—TOTAL BORROWING (MILLION £)

First Nine Months of Each Year	British		Others	Total Home	Empire	Foreign	Total Issues	Indices
	Government	•Home Corporations						
By Direct Public Offer (Old Basis)								
1928	84.3	10.0	117.3	211.6	52.2	26.9	290.7	1928 = 100
1940	768.2	Nil	1.3	769.5	0.1	Nil	769.6	100
1941	1,114.1	Nil	0.3	1,114.4	2.9	Nil	1,117.3	265
1942	1,129.2	Nil	0.2	1,129.4	Nil	Nil	1,129.4	383
Including "Permission to Deal" (New Basis)								
1935	1.8	51.5	151.8	205.1	19.6	1.4	226.1	1935 = 100
1940	768.2	Nil	16.0	784.2	1.0	Nil	785.2	100
1941	1,114.1	Nil	2.9	1,117.0	3.5	0.1	1,120.6	495
1942	1,129.2	2.0	6.2	1,137.2	0.3	0.1	1,137.6	508

* Including County and Public Board Loans.

TABLE II—TOTAL COMPANY ISSUES (MILLION £)

First Nine Months of Each Year	Old Basis				New Basis			
	1939	1940	1941	1942	1939	1940	1941	1942
Debentures	10.1	Nil	1.5	Nil	16.5	1.2	1.9	0.2
Preference	2.7	0.1	0.1	Nil	8.1	1.5	0.5	0.1
Ordinary	10.9	1.2	2.9	0.3	32.6	14.2	5.2	6.2
Total	23.7	1.3	4.5	0.3	57.2	16.9	7.6	6.5

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

	First Nine Months Old Basis		First Nine Months New Basis	
	1941	1942	1941	1942
British Govt. Loans	1,114,110,800	1,129,185,700	1,114,110,800	1,129,185,700
Foreign Govt.	Nil	Nil	Nil	6,500
Corporation, County and Public Boards	Nil	Nil	Nil	1,960,000
Foreign Railways	Nil	Nil	Nil	10,500
Mines	2,973,200	Nil	3,203,900	168,000
Exploration, Financial, etc.	Nil	Nil	786,500	49,400
Estate and Lands	Nil	Nil	159,000	210,000
Oil	Nil	Nil	Nil	101,200
Iron, Coal, Steel, etc.	93,200	Nil	343,200	1,776,900
Stores and Trading	Nil	Nil	Nil	178,300
Electric Light, Power and Telegraph	Nil	Nil	292,100	Nil
Gas and Water	Nil	Nil	565,800	271,200
Tramways and Buses	Nil	50,000	Nil	103,100
Hotels, Theatres, etc.	Nil	Nil	530,000	Nil
Shipping	Nil	Nil	Nil	1,581,800
Manufg. and Misc.	150,000	175,000	584,700	2,045,900
Total	1,117,327,200	1,129,410,700	1,120,576,000	1,137,648,500

India Loan Agreement

The news that an agreement has been reached between the United Kingdom and Indian Governments in connection with sterling Indian railway annuities has no effect whatever on the status of the annuitants. It is merely a means of absorbing a part of the huge sterling surplus accumulating in this country. Under the arrangement, the Treasury undertakes, in return for a loan of £30,954,250, to put the Indian Government in possession of funds to meet the sterling annuity payments as they fall due. The amount involved is some £34 millions and the discount given 2½ per cent. The annuities expire at various dates during the decade ending 1958, with possibly an average life of some 13 years. This would give the loan an average duration, since it will be repaid in annual instalments, of possibly six years, on which basis the 2½ per cent rate is about right. The accumulation of sterling over the past six months is of the order of £190 millions, some of which is required for note issue cover. At this rate, the new arrangement will cover only one month's accumulation.

Company Notes

Unilever Earnings

There is nothing in the full report of Lever Brothers and Unilever, Ltd., for 1941 to suggest that there was any decline in gross earnings as against 1940. With the exception of Eire, all Empire factories oversea achieved new records, while at home large outputs were secured in most sections. Although some of these were below pre-war level, oil refining and hardening reached new high records. The overseas profits made up over 30 per cent of the total, and it may be assumed that the fall in the published figure was due mainly to the payment of EPT at the full rate, somewhat accentuated by increased provisions for repairs and maintenance. Full particulars for the past three years, so far as available, are set out below:—

Company's Share of Group Earnings:	Years to December 31,		
	1939	1940	1941
Profit after Interest	£13,300,000	£15,260,451	£14,629,540
Depreciation and Repairs	3,485,000	3,885,000	3,920,000
ARP	123,000	150,000	147,000
British Income Tax (net)*	£700,000	£1,550,715	£2,403,252
Additional Tax Reserve	...	1,400,000	1,600,000
War Damage	...	274,446	259,625
Funding Staff Pensions	1,379,657	1,403,749	...
Net Consolidated Profit	7,648,644	6,596,541	6,299,663
Retained by Subsidiaries, etc.	906,591	892,529	464,074

* Figures arrived at by deducting tax recovered on dividends, net interest, from gross charges of £4,208,439 in 1940 and £5,469,278 in 1941.

Among the above appropriations, two call for special comment—staff pensions and income tax. The 1940 appropriation for the former has been increased to the figure shown by taking over, substantially, the amount set aside a year ago for provision against the NV company's preference dividends, since paid by that company. It has not been thought necessary to provide against these this year. The funding of staff pensions is now complete, but there remains a liability of some £1,500,000 for back service pensions which it may be found desirable to deal with by a block grant at some time. Spread over a decade or so, this sum ranks as an expense for purposes of EPT and income tax. The income tax appropriation for the year, of some £5,500,000 gross, represents the liability on one quarter of 1939 and three quarters of 1940. The tax reserve appropriation, with some £400,000 over-provided for EPT, covers all special liabilities up to the end of 1941, so that, from now on, no further special appropriations should be necessary, and the net charge of under £2,500,000 should cover future liabilities. As the EPT liability was substantial, it seems that, short of a catastrophic fall in earnings, the actual consolidated profit should be approaching stability.

The above explanations make it evident that the appropriations in question ought to be spread over a longer period than the two years in which they were actually made, in arriving at any estimate of movements in the

value of the ordinary shares. Unfortunately, no such distribution is feasible, and, in the following table, earned percentages are calculated on the basis that these appropriations belong solely to the years in which they are made. On the basis of the assurance that the company's share of the sums retained by the subsidiary and allied companies enure to the benefit of the equity holders of the parent, the earned percentages in the accompanying table have, however, been calculated on the net consolidated profit of the group, less only the preference and preferred ordinary dividends of the parent. This means that the appropriation to contingencies, intended to cover the possibility of having to find the dividend of NV ordinary, is treated as being available for the ordinary shareholders of *Limited*. It seems quite impossible to say whether this will in fact be so. The liability to find the NV payment only becomes absolute subject to the resumption of normal relationship between the two companies. If it should then prove that NV has earned the money necessary to meet the ordinary dividends, the question of *Limited* finding them presumably does not arise. Further, it is probable that the question of beneficial ownership will raise problems of extreme complexity. If this appropriation is excluded, the percentages fall to 25.0, 17.8 and 13.1, respectively. Since the end of 1941, soap rationing and a number of other developments have affected the group's work, but it is improbable that they will disturb distributable earnings. With regard to losses in the Far East, the bulk of

Company Allocations:	Years to December 31,		
	1939	1940	1941
Net Profit	£6,742,053	£6,987,130	£5,835,589
Prof. and Prefd. Ord. divs.*	4,337,777	4,346,779	4,346,779
Ordinary Stock:			
Paid	1,320,288	660,535	660,535
Earned %	35.5	28.4	23.7
Paid %	10	5	5
Contingencies	800,000	700,000	700,000
Carry forward	1,716,849	1,661,384	1,737,312

* Gross.

† Calculated on additions to free reserves retained by subsidiaries as well as those of parent.

these concern NV, and have not been dealt with in the accounts of *Limited*. Capital losses in Burma and the Pacific Islands are amply covered by reserves, but stock on consignment and claims on third parties have been reserved in full in the 1941 accounts. The price of the £1 stock units was not affected by the report. At 30s., they yield £3 6s. 8d. per cent.

Triplex Setback

The full Triplex accounts for the year to June 30, 1942, make disappointing reading. The worst feature is the drop in trading profits from £187,041 to £87,725, the lowest level since 1931-32. The fact that this drop has only been partially passed on to equity earnings is due to the reduction of nearly £5,000 in depreciation, which receives £12,403; to the decline in tax liability from £95,000 to £50,000 and to the failure to write anything off ARP, which absorbed £16,089 in the previous year. None the less, equity earnings are reduced from £61,410 to £26,138, representing 8.1 against 18.9 per cent, so that the ordinary dividend, maintained at 10 per cent, is under-earned. Since there is no capital loss against nearly £60,000 in 1940-41, there is no transfer from reserves. Two small amounts totalling £1,643 are transferred to specific funds and the carry forward is reduced from £18,582 to £10,720. In the absence of any explanation by the directors, it is hard to see why the management maintained the ordinary dividend at 10 per cent, despite a relapse in trading profit, unparalleled in recent years, and substantially more serious than that implied in the preliminary statement. The balance-sheet indicates a rise in stocks of some £44,000 to £291,437 but a small decline in debtors. An increase in the total of cash holdings is mainly responsible for the increase in net liquid assets, excluding inter company items, from £652,445 to £700,544, despite the fact that creditors are some £100,000 higher.

The total of reserves and surplus is little changed at £915,203 against £923,065. The 10s. ordinary stock, which yields £3 6s. 8d. per cent, appears over-valued at the current price of 30s. ex dividend.

Small Aircraft Results

The results of three small aircraft producers, recently issued, show that in two cases, those of *Blackburn Aircraft* and *Folland Aircraft*, total disclosed earnings for the latest financial years reached new record levels. In the third case, that of *Boulton Paul Aircraft*, the latest results bring the story down only to July 31, 1941, and the rise from £71,119 to £83,107 for that period leaves the figure still below the record of £99,230 earned in 1938-39. Three years' earnings and dividends for the concerns in question are analysed in the following table. The incidence of war taxation has effectively restrained the trend of equity earnings and in the case of *Blackburn* the rise in tax provision from £110,000 to £135,000 is responsible for a reduction in the earned rate from 16 to 15.5 per cent. In the other two cases, surplus earnings are somewhat higher on the year, but in no case is there any increase in ordinary payments. Balance sheets show a consistent expansion in debtors, stocks, including work in progress, and indebtedness to bankers, coupled, in general, with a reduction in cash holdings. The most marked signs of expansion in turnover are provided by *Blackburn Aircraft*, where stocks and work in progress are more than £500,000 higher at £2,005,826, while there is a bank overdraft of £250,000 against nil. It is evident that the concerns are experiencing some difficulty in financing the expansion from internal resources, and the chairman of *Boulton Paul*, Mr R. G.

Company and Date of Accounts	Total Disclosed Profit	Earned for Ordinary		Div.	September 30, 1942	
		Amount	Rate		Price ex. Div.	Yield
Blackburn Aircraft:— (March 31)						
1940.....	191,844	69,843	14.1	10	10s. shares at 11s	9 1 10
1941.....	214,469	69,484	16.0	10		
1942.....	231,401	63,268	15.5	10		
Boulton Paul Aircraft:— (July 31)						
1939.....	99,230	40,876	12.6	7½	5s. shares at 3s. 3d.	7 13 10
1940.....	71,119	20,529	8.2	5		
1941.....	83,107	20,951	8.4	5		
Folland Aircraft:— (June 30)						
1940.....	143,771	17,718	9.8	8	6s. shares at 4s.	7 10 0
1941.....	128,410	11,021	6.9	5		
1942.....	147,810	16,604	11.1	5		

† After EPT

Simpson, announces the intention of the management to extend that company's borrowing powers from £1,000,000 to £2,000,000. He is no doubt correct in asserting that the transient nature of the increase in turnover makes undesirable a permanent issue of capital to shareholders. For the present, it is clear that present dividend rates are in all cases comfortably covered. According to *The Actuaries' Investment Index*, the yield on aircraft shares fell 1½ points to under 9½ in the year to end-August. By this criterion two of the three concerns are judged to have prospects above the average.

Neepsend Steel Report

Total income of Neepsend Steel and Tool declined in the year to March 31st last from £149,083 to £136,202. In view of the decision to make no transfer, against £5,000, to investment depreciation account and of the reduction in EPT provision from £40,000 to £35,000, the decline is

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not fully passed on to equity earnings, which amount to £97,037, against £100,005. The total ordinary payment for the year remains at 50 per cent, including a 20 per cent bonus, and is covered by earnings of 63.4, against 62.6 per cent. As in 1940-41, general and contingencies reserves each receive £10,000, so that the carry-forward is raised from £12,970 to £13,545. The chairman, Mr S. C. Goodwin, considers that the setback to profits is not out of line with current trends. It is most probably to be attributed to a reduction in profit margins on Government contracts. The consolidated balance sheet shows a further increase in liquid assets, indicating that turnover has risen. Net liquid assets show a considerably smaller rise from £540,492 to £561,206, due mainly to the rise in tax reserve. After the latest appropriations from profits, the total of reserves and surplus is up from £431,305 to £462,841. The company's balance-sheet shows a decline in net loans from subsidiaries from £88,061 to £57,947. The results are satisfactory, and there is every probability that dividends can be maintained. The 5s. ordinary stock, at 25s. 6d. ex dividend yields £9 16s. per cent.

Oil Company Contrast

The 1941 accounts of *Attock Oil* and *Lobitos Oilfields* show a striking contrast in earnings, although both concerns are maintaining the ordinary dividend at 10 per cent. In the case of *Attock*, which operates in India and elsewhere, total income has risen to a new high level at £795,770. The ordinary payment is covered with 0.2 per cent to spare and the carry forward is raised from £114,359 to £117,015, subject to three years' additional directors' fees, calculated not to exceed £7,000. Comparison with equity earnings of the previous year is not strictly possible, since the £500,000 provided for UK taxation in 1940 was in respect of both 1939 and 1940. There is no transfer to reserve last year or in the previous year. The accounts of *Lobitos*, the Peruvian concern, show, on the other hand, a decline in trading profits from £184,362 to £140,202, largely, as the chairman, Mr H. C. R. Williamson, points out, on account of the time lag caused by the establishment of new wartime markets. Thus, there is a drop in equity earnings from 31.9 to 16.8 per cent, and the carry forward is raised at the cost of reducing the transfer to reserve from £100,000 to £25,000. A loss on sale of investments—due to the Treasury call up of dollar securities—of £9,940 has replaced a profit of £5,519 and is debited direct to investment reserve.

Years ending December 31	Attock Oil		Lobitos Oilfields	
	1940	1941	1940	1941
Total Profits.....	772,566	795,770	303,272	252,174
Taxation*.....	501,977	400,000	70,000	93,000
Administrative and Other Expenses	8,610	8,378	8,939	10,224
Fees and Staff Funds.....	1,200	1,200	14,678	15,179
Depreciation.....	150,000	200,000	...	...
Interest.....	5,629	3,536	...	...
Ordinary Stock:—†				
Earned.....	105,150	182,656	209,655	133,771
Paid.....	180,000	180,000	100,000	100,000
Earnings %.....	6.0	10.2	31.9	16.8
Paid %.....	10	10	10	10
Reserve.....	...	...	100,000	25,000
Carry forward.....	114,359	117,015	279,484	288,255

* And Contingencies for Attock; Attock provision in 1940 includes that for 1939.
† Attock earnings after charging 2 years' taxation in 1940.
‡ Subject to 3 years' additional directors' fees.

The *Lobitos* balance sheet provides ample evidence of the contraction in business, which should, however, prove to be only temporary. Debtors are more than £130,000 lower at £470,874, while creditors and stocks of crude oil are also down, and there is a consequent expansion in cash from £69,983 to £383,906. *Attock* shows a similar expansion in cash holdings from £263,588 to £481,837, but stocks of oil are higher and the reduction in debtors is very modest. There is a total reduction of £114,010 in additions to capital equipment during the year, and the chairman, Sir Louis Dane, reports that the water occurrences in the Dhulian wells have reduced production. Until new oil reserves can be discovered, the future of the concern is not fully assured. The loss of the Burmah oilfields makes the maintenance of output from both *Attock* and *Lobitos* a matter of the first importance for the United Nations. The *Attock* £1 shares at 38s. 1½d. ex dividend yield £5 4s. 11d. per cent; those of *Lobitos* at 38s. 9d. ex dividend yield £5 3s. 2d. per cent.

Industry and Trade

Pooling of Inventions

It has long been recognised that, in order to maximise the Anglo-American war effort, the pooling of ideas is an essential counterpart to the pooling of raw materials and industrial capacity. A good deal has, in fact, been done towards bringing about a closer interchange of information on production processes; the principle of pooling has been formally recognised in an agreement concerning the Interchange of patent rights and information, signed by Mr Cordell Hull, American Secretary of State, and Lord Halifax, in Washington, on August 24th. By the agreement, which has now been published (Cmd. 6392),

each Government, in so far as it may lawfully do so, will procure and make available to the other Government for use in war production, patent rights, information, inventions, designs or processes requested by the other Government.

Each Government is to bear the cost of the procurement of such patent rights, information, inventions, designs, or processes from its own nationals. Unless otherwise provided, all patent rights shall be acquired and used for the purposes and for the duration of the war only. The agreement contains detailed provisions about the conditions in which the interchange of patents and other information is to take place. Both the United States and the United Kingdom can contribute much to the common pool of knowledge about the production of war materials, and, in so far as the Agreement will speed up the interchange of ideas and patents, it is to be welcomed. It is to be hoped that its operation will not end with the war, but that it will pave the way towards the unification of patent laws in the interests of the consumer after the war.

Road Transport

The Government's road haulage scheme, providing for the chartering of a nucleus fleet of lorries by the Ministry of War Transport, and, alongside it, for a pool of vehicles fed by Government traffic but managed by the industry, continues to attract criticism. As was pointed out in *The Economist* on September 12th, the main cause of the industry's dissatisfaction seems to be the fact that its facilities have not been fully utilised in recent months. From the national point of view, the emergence of an unused margin of road transport capacity is a definite gain; if the total volume of traffic has not decreased, it means that the other means of transport are being used more efficiently, and that the railways are carrying a bigger load. But the reserve of road transport capacity is precious; it will probably have to be drawn upon during the winter, and constitutes a vital nest-egg for an emergency. As Mr George Wilson, chairman of the British Road Federation, pointed out in his address at the annual meeting of the Federation,

if in the interests of economy and efficiency all goods road vehicles cannot be used all the time, then the difficult but not impossible task remains of organising the road transport industry's resources so that they may be at any time available when the need arises.

The mistake made by the Government in allowing the dispersal of part of the labour force in coalmining must not be repeated in the road haulage industry. Its reserve of unused capacity must be maintained, and the responsibility is the Government's.

Distribution of House Coal

From next Monday a new system for the regulation of the supply of house coal is to come into operation under arrangements made by the Ministry of Fuel and Power, in consultation with the house coal collieries and the Merchants' Consultative Committee. Its main feature is the introduction of a programme of weekly deliveries to scheduled depots. The coal supply officers are to inform the divisional house coal officers of the quantity of house

coal which will be available for distribution from week to week, to allocate it among the collieries concerned, and to see that each depot receives its allocation regularly. In a circular to the trade explaining the scheme, Mr H. W. Cole, the Director-General of the House Coal Distribution (Emergency) Scheme, stated that the fundamental object of this arrangement is to ensure that the limited supplies of house coal available are spread fairly among the depots so that they can in turn be shared proportionately among merchants. The distribution of the supplies reaching the depots is to be the responsibility of the divisional house coal officers. The percentage share of each merchant and dealer is to be determined, in co-operation with the local officers under the House Coal Distribution (Emergency) Scheme, on the basis partly of the actual supplies reaching the depot from week to week, and partly on each merchant's or dealer's performance during a prescribed datum period. The collieries have assured the trade that so far as possible they will preserve the normal channels of trade and the normal qualities, and that the coal will be invoiced and consigned to the individual factors or merchants as at present, but it is expected that it may not be possible always to ensure factors or merchants their appropriate percentage, and that, therefore, it may become necessary for those receiving more than their due share to transfer the excess to those receiving less. The charge for such transfers must not exceed 1d. per ton, and it is explained that the object in fixing this nominal figure is to remove the element of profit from any accidental increase in tonnage which a distributor may receive under the new arrangements. It will be seen that these very largely suspend the individualistic methods under which the house coal trade has hitherto been carried on, and difficulties and anomalies are apprehended; but in each of the eleven regional divisions advisory disposal boards are being appointed, and it is provided that any factor or merchant who may consider that he is suffering serious hardship in the process of redistribution may appeal to the house coal officer, who will have power, on the advice of his fuel disposal board, to make adjustments to secure equity. Nevertheless, merchants in many districts are said to be severely critical of the scheme and predicting either its modification or withdrawal.

Electricity Charges

Many consumers have been deterred from reducing their electricity consumption on the grounds that under certain charge systems, a smaller meter reading did not reduce their bill. So that this deterrent to saving may be removed, the Ministry of Fuel and Power has made the Electricity Minimum Charges Order (S.R. & O. No. 1927), which will begin to operate for the meter readings of the last quarter of this year. The Order removes any statutory right the electricity undertakings may have to make a minimum quarterly charge to consumers regardless of the actual amount of current consumed. Instead, it provides that a minimum charge of 25s. may be made for a twelve month period, even where the actual cost of the electricity consumed is less. The 25s. is considered to be the minimum charge for which the undertakings can provide the service of a public utility to individual consumers. The yearly basis for the minimum charge has the additional advantage of enabling the consumer to spread the cost of power over the uneven quarterly consumption periods. Tariffs such as all-in or two-part tariffs are not affected by the Order. The Joint Committee of Electricity Supply Associations has, however, recommended undertakings to allow consumers to change to a flat rate if it is to their advantage owing to reduced consumption.

New Tin Scheme

After a meeting in London last Monday, the International Tin Committee announced that a new agreement was signed on September 9th. Its signatories are the Governments of the United Kingdom, Bolivia, Free-Belgium and the Free-Netherlands, that is to say all the

partners of the last agreement with the exceptions of Thailand and French Indo-China, which have passed under Japanese control. The new agreement for the control of supplies has been put into force with effect from January 1, 1942, and thus links up with the last five years' agreement, which terminated on December 31st last. Negotiations for the new scheme started in January, 1941, and before the end of March, 1941, the partners of the previous agreement recommended unanimously the prolongation of collaboration for another five years. Later, however, difficulties arose about proposed changes in the standard tonnages of the various member countries, and before these difficulties could be settled war had broken out in the Far East and four of the seven member countries of the scheme (apart from Thailand and French Indo-China, Malaya and the Dutch East Indies) had passed under Japanese control. Only about one-third of the world's tin supplies have been left at the disposal of the United Nations. This fact in itself shows that the immediate value of the agreement is confined to the exchange of information on tin production and the maintenance of regular contact between the Governments of the producing countries outside Axis control. The communiqué issued after Monday's meeting of the ITC stated "the policy of the Committee is to encourage, during the war period, the maximum possible production of tin, in all territories not under enemy control," but it is difficult to see any new and practical steps the Committee could take in this direction. The only decisions taken during Monday's meeting appear to have been the election of the Committee's Chairman and Vice-Chairman and the adoption of a control policy for the near future. The chairman is again Sir John Campbell, while the chief Dutch delegate, Mr P. H. Westermann, has been elected vice-chairman. The policy for the time being is to be one of non-interference. The export quota has been fixed "until further notice" at 105 per cent. of the new standard tonnages, but it is expressly stated that if any territory should be able to exceed this rate the quota will be increased retrospectively. In present circumstances, the fixing of an export quota is no more than a formality, which must be observed under the agreement. It suggests, however, that the new scheme, like its predecessors, is a scheme aiming at the prevention of surplus supplies if that should prove necessary in future. As such a necessity will not arise for the duration of the war, it appears that the chief reason for the signing of the new tin agreement has been the desire of the Governments of the producing areas concerned to create an instrument to smooth the change-over of the tin industry from war to peace conditions. But if the ITC is to serve as an instrument for the regulation of tin supplies after the war, in the spirit of the Atlantic Charter, its constitution will have to be amended to give the consumer an effective voice in its decisions. The text of the new agreement was not yet available when this issue of *The Economist* went to press.

Concentration of Clothing Production

The concentration of the clothing industry presents many difficulties. There are no fewer than 25,000 firms engaged in clothing manufacture, many of them very small, scattered, and specialised. About 2,000 firms have been "designated" as producers of utility and Service clothing. Nonetheless, some younger labour in these firms may be withdrawn, and some of their factory space may need to be utilised for other purposes. In general, however, designation carries with it certain guarantees of labour and premises. The process of concentrating non-designated firms was initiated early in July, when Sir Thomas Barlow, Director-General of Civilian Clothing, met representatives of makers-up of men's, women's and children's clothing, and of the trade unions concerned. At the meeting, proposals were outlined for an orderly concentration on a regional basis, in order to release factory space and labour for more urgent needs. In the Leeds district, plans have reached an advanced stage, and the first instalment of concentration is now taking place; details are not yet available. Last week, Sir Thomas Barlow met employers' and workers' representatives in Manchester to initiate discussions for the north western region. The Board of Trade is pursuing its usual policy of allowing the industry to make its own plans; only when voluntary means have failed has it stepped in with an official plan. Clothing manufacturers in other parts of the country are now waiting to be told what degree and kind of concentration is wanted from them. Since concentration is in-

evitable, manufacturers would prefer the plans to be made with the shortest possible delay.

Fats Supplies

The Combined Food Board, which was established last June to pool Allied food resources, this week announced the introduction of a plan by which the United States and Great Britain will acquire the whole world supply of oils and fats outside Axis control. The plan is the result of a comprehensive survey of supplies recently conducted by the Combined Food Board, which has shown that, following the heavy losses of copra and palm oil in the Pacific region, the Allied supply position has become tight enough to demand central control. The United States and Great Britain are to be buyers for the pool, and buying regions have been defined. The former is to acquire all supplies of oils and fats from the American continent, including the West Indies, and excluding only the animal fat supplies of Argentina and Uruguay, and all copra from Tahiti and the Fighting-French islands in the Pacific, as well as oil and fat supplies from Liberia and Spanish and Portuguese Africa. The United Kingdom will have a monopoly for animal fats in Argentina and Uruguay, for all supplies of oils and fats in the British Empire (including only those from British territories in America, the Belgian-Congo and Fighting French Africa. Each country will release part of its purchases to meet the requirements of the other members of the United Nations. In this country the existing consumers' rations and restrictions on allocation of oils and fats to manufacturers will remain in force, while in the United States the restriction of manufacturers' allocations of oils and fats is planned. Acquisition of all available supplies on the one hand, and restriction of consumption on the other, will, according to the expectations of the Combined Food Board, allow the accumulation of substantial reserves of oils and fats to meet future contingencies. This pooling plan, following the tea pooling scheme, is the second of its type adopted by the Combined Food Board. In announcing the new oils and fats plan, the Board stated that the scheme was part of its general strategy, which aims at efficient acquisition and allocation of the more important food supplies to the United Nations to their common advantage. It is like that similar schemes for other staple foodstuffs will be introduced in suitable cases. Besides assuring adequate supplies for essential purposes, this pooling of purchases also makes for the liquidation of surpluses held by producers. The schemes, therefore, meet with approval of producers, including those in neutral countries, like Portugal and Spanish Africa, who are included in the oils and fats plan.

Food Control Order

The chief object of a recent Ministry of Food Order—the Manufactured and Prepacked Foods (Control) Order 1942—is to obtain full information about a wide variety of food manufacturing and pre-packing operations over which there is at present no control, in order to ensure that the best possible use is made of all foodstuffs and also of the limited supplies of packaging materials available. The Order requires returns to be made in respect of every food manufactured, pre-packed, or both, that is, packed in advance for retail sale in a wrapper or container. The Order does not apply to food manufactured in preparation for the production of a food of a different description, for instance, the manufacture of baking powder by a baker for use in his own cakes; nor does it apply to food manufactured by a caterer solely for the purpose of sale as a meal, or part of a meal, in his own establishment. The packing provisions do not apply to canning processes, nor to food wrapped for sale on the premises where it is packed. Certain foods are exempt from the provisions of the Order and a list of these has been issued by the Ministry. The Order also provides for the subsequent licensing of the manufacture or packing of any foods for which returns are required, as and when the necessity arises; and a further Order describing the food to be licensed and stating a date will be issued. This Order is probably a step in the right direction, in that it extends the control of the Ministry of Food over food production and preparation, and will provide the data which will enable them to take stock of the whole position.

(Continued on page 430)

COMPANY MEETINGS

LEVER BROTHERS & UNILEVER, LIMITED

THE CHAIRMAN'S REVIEW FOR THE YEAR ENDED 31st DECEMBER, 1941

will be proposed at the annual general meeting on October 8, 1942, that this resolution be taken as read and there will be no need to read it from the chair.)

THE LATE SIR D'ARCY COOPER

At the close of the year—on December 18, 1941—the chairman of the board of directors, Sir Francis D'Arcy Cooper, died. In paying tribute to a great industrial leader, whose death was rightly looked upon as a loss to the nation as a whole, his colleagues on the board have foremost in their memories his outstanding personality and sense of duty, honour and fair play, joined to exceptional abilities, and his admiration and devotion engaged in this business.

CHANGES ON THE BOARD

Besides the change in the chairmanship, other changes on the board have taken place. Mr Herbert Davis, C.B.E., and Mr Paul Rykens have become vice-chairmen. Mr A. G. Short, for many years prominently connected with the group of miscellaneous oil companies, has joined the board and taken charge of that group. Mr Albert Van Bergh, who became an advisory director in 1941 on relinquishing the post of vice-chairman, has retired after a connection with the company and its associated businesses of more than 48 years. Mr Charles Edmund Tatlow, who became an advisory director after relinquishing his directorship in 1941, has retired on completing 40 years' service with the company.

TRADING

For obvious reasons a general picture of trading can be given.

At home: Throughout 1941 our soap businesses carried out programmes laid down by the Government, production falling approximately pre-war figures. Our margarine factories operated at high rates for the account of the Ministry of Food.

Crushing activities, also under Food Ministry control, were on a large scale, used below pre-war levels. Production of the oil feeding compounds had to be curtailed. Oil refining and opening throughputs were well above normal.

The food companies experienced varying fortunes, but, in total, output continued to reflect progress. MacFisheries successfully overcame many difficulties connected with war-time distribution of fish.

Overseas: The outputs of our important Canadian, Australian, South African, Indian and other Empire soap and edible fat factories established new high records, contributory causes being virtually unrestricted raw material supplies, increased spending power and some element of speculative trade buying. Eire was a notable exception due to restriction of raw materials. During the year a soap and edible fat factory in Ceylon came into production.

The importance of the primary products of West Africa to the Allied war effort has brought added responsibilities to the United Africa Company. All departments throughout the British Colonies, Free French and Belgian territories have worked at high pressure in full collaboration with the various Governments. Many new problems connected with produce buying, storage and transport have been successfully solved. The import and merchanting side of the business has been heavily taxed to provide the volume of textiles and manufactured goods essential to stimulate the African producer to his greatest effort. The results achieved testify to the energy and initiative with which difficulties have been overcome.

All these overseas interests account for just over 30 per cent. of the combined trading profits of the company.

CAPITAL EXPENDITURE, DEPRECIATION AND REPAIRS

Capital expenditure was necessarily restricted. £1,379,000 was spent mainly upon projects initiated prior to the war, extensions necessary for war-time programmes, and additional facilities for research and for special war-time operations. Against this, £654,000 was realised by the sale of assets, of which the principal was the whaling fleet sold for £479,000. These amounts do not include expenditure on, or compensation for, assets lost by enemy action.

Revenue was charged with £1,965,000 for depreciation, £1,955,000 for repairs and maintenance, and £147,000 for additional A.R.P. installations.

PRODUCTION AND RESEARCH

Shortages of usual commodities have been an incentive to the production and research staffs to exercise successfully their ingenuity and powers of improvisation so as to maintain the quality of products.

STAFF

Excellent relations between the management and staff continue; the scheme of works committees and councils, which have operated in the larger units for many years, is now being extended to every factory in the organisation. The provision of works and office canteens has been very largely augmented to meet war-time conditions.

28,700 employees in the British Empire are members of the pension and provident funds whose investments amount to £10,641,000.

Over 10,000 employees of our regular staff are serving with the armed and civilian services, all of whom receive financial assistance from their companies and retain their membership of the pension and provident funds.

The spirit that animates the whole organisation is all that it should be, and it is largely for this reason that the standard of efficiency stands so high.

Through their war savings groups, more than 21,000 employees in Great Britain alone have subscribed close upon £900,000 to the National War Savings Campaign from its inception.

THE FUTURE

Since the close of 1941 many events have occurred which have influenced the course of our activities both at home and abroad. The fact that the resources of the company are largely devoted to products that are necessities of life fortunately tends to minimise some of the adverse consequences. What the final effect on the current year's results will be cannot be forecast with any certainty; but it is hoped that the consolidated profit will not differ materially from the 1941 figure.

GOLD MINES OF KALGOORLIE, LIMITED

The annual general meeting of this company was held, on the 29th ultimo, in London.

The following are extracts from the statement by Mr P. E. Marmion circulated with the report:—

The working profit of £121,040 was £58,854 lower than that of the previous year, chiefly due to a reduction of 0.77 dwts. per ton in the yield of gold and an increase of approximately 10d. in working costs. The mill has again operated very efficiently. The rate of production has been maintained.

Towards the end of the year it became clear that the national interest would require gold-mining operations to be considerably curtailed, in order to release men for more urgent work directly associated with the war effort. Both development work and production have already been reduced, and discussions are now in pro-

gress with the object of making the most effective use of the available manpower. These conditions will lead to increased costs and lower profits in the immediate future, but everything possible will be done to maintain the present satisfactory conditions both underground and on the surface so that, directly circumstances permit, it should be possible to contemplate an early readjustment of production to the normal level.

The report was adopted.

GOLD EXPLORATION AND FINANCE OF AUSTRALIA, LIMITED

The annual general meeting of this company was held, on the 29th ultimo, in London.

The following are extracts from the statement by Mr P. E. Marmion circulated with the report:—

Largely owing to a decrease in the total distribution by Victoria Gold Dredging and the absence of dividends from Triton Gold Mines and Western Gold Mines, the company's income was reduced from £94,337 to £52,765. On the other hand, the continued improvement in operating results of Central Norseman Gold Corporation enabled that company to reduce its indebtedness by £165,104 and the balance of £23,815 outstanding at March 31st has since been repaid. The greatly improved cash position resulting from the year's operations made possible the redemption of the outstanding notes on June 30th.

For some time prior to the close of the year operations were being carried on with increasing difficulty owing to shortage of men, and having regard to the growing difficulties of carrying on gold mining in Australia it is inadvisable to make any forecast as to the future. Stockholders, however, can rest assured that every effort will be made to continue operations to the best advantage on the properties in which the company is interested.

The report was adopted.

ATLAS ELECTRIC AND GENERAL TRUST, LIMITED

INVESTMENT VALUATION

The thirty-fourth annual general meeting of this Trust was held, on the 29th ultimo, in London.

Mr W. Sandford Poole (the chairman) said that they had submitted no valuation of their investments in last year's report, but he had estimated the depreciation at about 27 per cent. at March 31, 1941, reduced to 22 per cent. by the end of August, 1941. Since that time there had been some broadening of the stock markets, and they had therefore had an informal valuation prepared. That valuation showed a depreciation of about 21½ per cent. on the total at which the investments stood in the balance-sheet now submitted. If they eliminated the depreciation of their investments in enemy countries and in countries in enemy occupation, the depreciation would come out at less than 12 per cent.

The gross revenue received during the year amounted to £283,904. United Kingdom taxation at £125,972 increased by £17,666. The income of the Trust after taxation amounted to £157,932. The balance carried to the balance-sheet was £118,677.

The year's dividend on the preference shares, less income-tax, required £110,906, leaving a balance out of the year's revenue of £7,771.

As to the current year, he repeated what he had said in July, 1938, namely, that until they could obtain an income from the investment in the Montevideo subsidiary, he feared there was little prospect of resuming the distribution of dividends on their ordinary share capital.

The report and accounts were adopted. Resolutions relating to the constitution and remuneration of the board and the position of the managing director were proposed by a shareholder, but lost on a show of hands.

ANGLO-IRANIAN OIL COMPANY, LIMITED

INCREASED PROFITS AND DIVIDEND

SIR WILLIAM FRASER'S STATEMENT

The thirty-third ordinary general meeting of the Anglo-Iranian Oil Company, Limited, was held, on the 29th ultimo, in London, Sir William Fraser, C.B.E. (the chairman), presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:—

It will be observed that the balance-sheet total does not differ very materially from that of the previous year. Creditors show a small increase due mainly to liabilities for taxation. With the depreciation provided, and little new construction during the year, a decrease of nearly £1,000,000 is shown in the refinery, tank installations, pipe-lines and buildings.

Investments in subsidiary companies, at £11,726,207, are less by £500,000, as we have considered it advisable to continue our policy of providing adequate reserves against the company's assets in enemy and enemy-occupied countries. Debtors show an increase of about £600,000, arising

through the normal course of business. It will be observed that British Government securities and cash have increased by £5,400,000, due mainly to the decrease shown under the headings of refinery, tank installations, pipe-lines and buildings, and investments in subsidiary companies to which I have referred, along with the reduction of over £2,250,000 in advances to subsidiary companies. There has also been an increase of nearly £1,000,000 in deposits by subsidiary companies. Trading profits of £6,032,347 show a welcome increase of about £300,000, while an increase of £111,000 in the receipts for interest, due to our increased holdings of Government securities, will be noted.

CURRENT YEAR'S GOOD START

I am sure that the board's decision to recommend a payment of 7½ per cent., as against 5 per cent. for 1940, will be welcomed by all stockholders. Although the increase is small and the dividend much less than that to which the stockholders had become accustomed in pre-war years, yet it is a step in the right direction. Few chairmen would be rash enough to predict future results in uncertain times like these when changes in fortune occur so rapidly. I can, however, tell you that the level of profits for the current year so far shows a material increase.

I informed you last December that two of our directors, Mr J. A. Jameson and Mr N. A. Gass, were in Iran. Mr Jameson, after a stay of more than eight months, returned to London at the end of May and has been able fully to inform his colleagues on the board of the satisfactory conduct of our operations. Mr Gass is still in Iran. It was indeed fortunate that two of our directors were in Iran at the time when the heavy losses of territory occurred in the Far Eastern theatre of war, making the Persian Gulf a still greater centre of activity in the Allied cause.

Once again it is, unfortunately, impossible for me to give you any detailed account of the company's operations. I must content myself with stating that they have proceeded as satisfactorily as possible in the conditions ruling. I may say, however, that I look forward to the day when I may speak to you freely of our activities during the war, when I feel sure all stockholders will feel gratified and proud of the achievements of the company. In the meantime, it will be realised that the company's operations, whether as regards production, refining, distribution or transport, must obviously be governed entirely by the Allied needs, so that the war may continue to be prosecuted with the utmost vigour.

Our relations with the Iranian Government remain cordial and co-operative. The report was unanimously adopted.

(Continued from page 428)

Co-operative Wholesale Trade

The turnover of the Co-operative Wholesale Society for the first six months of this year was £75,222,032, which has encouraged the directors to recommend an interim dividend of 5d. in the £, together with a special bonus of 1d. in the £ on purchases. The previous dividend was 4d. The improvement in turnover is attributed "to the adoption of fairer methods of distribution." The distributive societies will receive £1,674,964, which will assist them to maintain the rate of dividend allocated to their members. The output of the CWS productive works totalled £22,920,358 for the

period. Grocery sales rose by 15 per cent to £55,162,913, and there were increases of 7 per cent and 24 per cent in the drapery and men's wear departments, the totals being £2,860,120 and £1,702,115, respectively. The turnover of the contracts and export department was £1,844,899, an increase of nearly 2 per cent. Sales to the Ministry of Food accounted for £2,323,250, a decrease of 9 per cent. The agricultural section had a turnover of £1,661,123, a decrease of 7 per cent, but there were substantial advances in the supplies of meat and milk, the figures for these being £5,801,311 and £4,958,822 respectively. The directors have just donated £1,000 to the United Aid for China Fund, sponsored by Lady Cripps.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

ALTHOUGH the figure of 5,656 markings on the opening day of the current week was the highest yet recorded since June last, it would appear from the trend of prices that actual turnover is rather lower than the scale of markings suggests, especially in view of the continued shortage of stock. In the gilt-edged market, certainly, turnover was of small proportions and hardly sufficient to affect prices, but apart from minor losses for Old Consols and Local Loans the undertone was distinctly firm throughout, several medium-dated stocks advancing in midweek. A similar lack of interest prevailed in the foreign bond market, Chilean bonds falling at the end of last week, although the 4½ per cent loan of 1898 recovered a point on Tuesday, when a general weakening of Brazilian stocks ensued. The 4 per cent Egyptian Unified loan was firm throughout. Average daily markings of over 400 reflected the renewed activity in the home rail market, demand being focused on the ordinary and junior preference stocks. Among the latter, both LMS and Berwick preference issues were in demand, while Southern preferred and deferred advanced ½ point on the week. There was little of interest in the foreign rail market, although quiet support occasioned small improvements for Argentine rail equities. Outstanding, however, was the

Peruvian Corporation debenture which rose 2 points on the week.

Both markings and prices continue to rise in the industrial market, although some slight irregularity became apparent in midweek. Movements in the brewery group were trendless and without significance, but the Chancellor's statement on tobacco revenue occasioned a slight rally among tobacco shares, in which Imps were especially prominent, advancing ½ after smaller previous gains. The strong upward movement in the motor and aircraft section, which at the week-end occasioned good gains for Hawker Siddeley, De Havilland, Brown Bros. and Thornycroft, was not apparent at the reopening; but further useful gains were recorded for J. Lucas and Hawker Siddeley in midweek. Colliery shares were prominent in the heavy industrial group, Staveley advancing steadily, with quiet support for Sheepbridge and Shipley, while Powell Duffryn hardened on the announcement of the projected merger with Cory Bros. Renewed demand for textile shares occasioned a resumption of the recent rise for practically all issues, Bradford Dyers, Calico Printers and Fine Spinners preference in particular enjoying useful gains; but the initial strength of the movement was not maintained in midweek. Shipping issues were without interest, but in the miscellaneous section International Nickel advanced strongly, although Brazilian Traction weakened. Among other issues to advance, Turner & Newall and United Glass Bottle were prominent with good

gains, while in a firm stores group, Selfridge preference were outstanding.

The firm tendency in the kaffir market at the end of last week failed to extend into the current week, and with the decline in support prices tended to weaken, although on balance recent gains were only slightly reduced. Apart from a fall of 1s. 6d. for Upper Assam, tea shares were firm, Nuwara Elya and Travancore both gaining this amount; while in the rubber market United Sua Betong, Tamiang and Malayalam all advanced ½ on the week. Active support for Mexican Eagles in the oil market raised the shares a few pence, while Anglo-Iranian was outstanding with a gain of ½ on the chairman's statement. Attock, however, fell 2s. on the report that water was entering the wells, but in general leading shares remained quietly steady.

"FINANCIAL NEWS" INDICES

	Total Bargains in S.E. List	Corres. Day	Security Indices	
1942			30 Ord. shares*	20 Fixed Int.†
Sept. 24.....	3,967	3,070	85.9	133.1
" 25.....	4,191	2,819	86.3	133.1
" 28.....	5,656	2,798	86.3	133.1
" 29.....	4,163	3,297	86.2	133.1
" 30.....	4,168	2,850	86.5	133.1

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 86.5 (Sept. 30); lowest, 74.3 (Mar. 23). 20 Fixed Int., 1942 highest, 135.6 (Apr. 29); lowest, 132.2 (Jan. 5). ‡ New basis in S.E. List. § Old basis.

New York

STIMULATED by the threat of inflation, Wall Street last week-end witnessed its most active session for some time past, although widespread profit-taking prevented any marked improvement in quotations. Despite the decline in activity in the current week, and continued profit-taking, prices in general were well maintained, with several rail issues touching new high levels for the year, while Atchison Topeka advanced to its highest price in five years on the increased dividend. In midweek the market closed steadily after a day of irregular movements.

Total share dealings: Sept. 24, 851,000; Sept. 25, 680,000; Sept. 26,* 227,000; Sept. 28, 402,000; Sept. 29, 427,000; Sept. 30, 342,000.

* Two-hour session only.

STANDARD STATISTICS INDICES (1935=100)

	1942		Sept. 9, 1942	Sept. 16, 1942	Sept. 23, 1942
	Low	High			
347 Industrials.....	62.4	75.0	71.3	70.9	71.9
32 Rails.....	58.44	71.06	66.2	65.4	67.5
40 Utilities.....	53.1	67.44	59.6	58.9	59.6
419 Stocks.....	60.8	73.3	69.2	70.7	69.7
Av. yield %.....	8.40	6.43c	6.52	6.56	6.43

* 50 Common Stocks.
(a) Jan. 7. (b) Feb. 4. (c) Sept. 23. (d) June 24.

COMMODITY AND INDUSTRY NEWS

Fireclay Standard.—The British Standards Institution has issued a specification (No. BS 1074), at the request of the Ministry of Works and Planning and in co-operation with the Ministry of Fuel and Power, for fireclay bases for use with open coal fires. The fireclay bases will replace cast iron baskets. They have been designed to economise the use of cast iron and of fuel.

Sugar Allocations.—From October 18th, allocations of sugar will no longer be granted for the manufacture of cake, pudding and sponge mixtures, breakfast cereals, and prepared breakfast foods, meat and fish pastes, and custard and blancmange powders, or for meat and bacon curing. The sugar allocations to the chocolate and sugar confectionery industry will be reduced by one-third from the same date.

Knitted Garment Restrictions.—The Making of Civilian Clothing (Restrictions) (No. 14) Order (SR and O No. 1919) which comes into force on November 1st, restricts the leg length of all men's socks to 9 inches and 9½ inches for foot lengths not exceeding 10½ inches and exceeding 10½ inches respectively. Restrictions are also imposed on the length of boys' socks. Striped and turn-down tops are prohibited for three-quarter length hose. Trimming, embroidery and appliqué work are forbidden and restrictions imposed on buttons, pockets and tabs on knitted jumpers, pullovers and cardigans. Knitted scarves may no longer have fringes, embroidery, trimmings or appliqué work.

Export Control.—The Export of Goods (Control) (No. 39) Order (SR and O No. 1907) comes into force on October 12th. Under it, licences will be required to export to all destinations, locust bean kernel gum and size, magnesium chloride and mixtures containing magnesium chloride, and papain. The existing licensing requirements in respect of various natural gums, resins, lacs, oils, fats and greases and waxes are modified. Control is extended to cover all mixtures (other than paints and medicinal preparations) containing casein and ingredients derived from casein. It is made clear that the control in respect of soap of all kinds does not cover scourers containing less than six per cent by weight of anhydrous soap.

DAILY AVERAGE OF 50 COMMON STOCKS

Sept. 17	Sept. 18	Sept. 19	Sept. 21	Sept. 22	Sept. 23
87.1	87.9	87.7	87.7	88.0	88.6

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Capital Issues

Week ending October 3, 1942	Nominal Capital	Conversions	New Money
To Shareholders only	12,668,000	12,268,425	85,000
By Permission to Deal	134,605	...	218,349

Particulars of Government issues appear on page 432.

Year†

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942.....	1,138,514,834	349,272	78,315
1941.....	1,118,330,614	3,481,401	70,000

Nature of Borrowing (Conv. Excld.)

Year†	Deb.	Pref.	Ord.
1942.....	1,131,361,892	938,562	6,214,380
1941.....	1,115,974,765	477,480	5,429,790

* Includes Government issues to Sept. 22, 1942, only. Above figures include all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

LPTB Conversion.—Following on the notice of the repayment of £12,583,000 of 4½ per cent JFA stock 1942-72 at par, it is announced that holders may exchange into LPTB 3 per cent guaranteed stock 1962-72 to be issued at 97½ together with a cash payment on January 1st next of £2 10s. per £100 stock to cover difference between redemption price of the old and issue price of the new stock. This offer closes on November 18th.

Selection Trust Limited.—It has been decided to redeem the £419,220 5½ per cent debenture stock outstanding on December 31, 1942, at 103 per cent. Existing holders are invited to convert to the extent of £400,000 into a new 3½ per cent debenture stock to be issued at 97 per cent repayable at par by a 2 per cent sinking fund to effect final redemption December 31, 1973.

Shorter Comments

Brazilian Traction, Light and Power (\$000).—Gross operating revenue in month of August \$3,995 (\$3,724), net earnings before depreciation and amortisation \$2,155 (\$2,040). Aggregate gross earnings from Jan. 1st-Aug. 31st \$30,695 (\$27,852), agg. net earnings \$16,336 (\$14,961).

Canadian Pacific Rly. (\$000).—Gross earnings in August \$22,054 (\$19,990), net earnings \$3,220 (\$3,146). Aggregate gross earnings since January 1st \$165,013 (\$139,189), aggregate net earnings \$28,437 (\$26,261).

710 successful prosecutions. Out of the successful cases, 128 were dismissed under the Probation of Offenders Act. Fines of £1 and under were inflicted in 950 cases; fines above £1 and up to £5 in 950 cases; fines above £5 and up to £10 in 154 cases; and fines above £10 and up to £20 in 74 cases. In 207 cases the fines exceeded £20, and in 32 cases sentences of imprisonment were imposed.

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

	Sept. 24, 1942	Sept. 25, 1942	Sept. 26, 1942	Sept. 30, 1942	Oct. 1, 1942
Crops.....	118.4	118.4	118.5	118.5	118.5
Raw materials.....	172.7	172.7	172.7	172.7	172.7
Complete Index.....	143.0	143.0	143.1	143.1	143.1

* Highest level reached during 1932-37 recovery.

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

	Home	Export	Total	% Change from a Year ago
	Index	Index	Index	
1937.....	100	100	100	+ 1.0
1938.....	94	82	93	- 7.0
1939.....	105	80	103	- 10.7
1940.....	116	83	114	+ 10.7
1941 July.....	75	130	77	- 7.2
" Aug.....	83	105	84	- 31.2
1942 July.....	88	65	87	+ 13.1
" Aug.....	95	37	92	+ 4.9

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase Tax is not included; figures are therefore comparable throughout. For annual figures, 1935-1940, and monthly figures Sept., 1940-Oct., 1941, see *Economist* Nov. 29, 1941. Source: *Board of Trade Journal*.

NUMBER OF FOOD PROSECUTIONS

	Prosecutions	Number Successful	Percentage Successful
Oct., 1939-Dec., 1940	10,598	10,043	94.8
Total 1941.....	29,329	27,475	93.7
August 1941.....	2,524	2,336	92.5
September.....	2,501	2,280	91.2
October.....	3,130	2,887	92.2
November.....	2,400	2,228	92.8
December.....	2,955	2,752	93.1
January, 1942.....	2,420	2,218	91.7
February.....	2,670	2,535	94.9
March.....	2,366	2,211	93.5
April.....	2,487	2,325	93.5
May.....	3,069	2,905	94.7
June.....	2,983	2,738	91.8
July.....	3,205	2,881	89.9
August.....	2,658	2,445	92.0

Source: Ministry of Food.

Finance

GOVERNMENT RETURNS

For the 11 days ended Sept. 30, 1942, total ordinary revenue was £70,868,000, against ordinary expenditure of £132,550,000, and issues to sinking funds of £300,000. Thus, including sinking fund allocations of £6,233,059, the deficit accrued since April 1st is £1,437,206,000 against £1,504,050,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	April 1 to Sept. 30, 1941	April 1 to Sept. 30, 1942	10 Days ended Sept. 30, 1941	11 Days ended Sept. 30, 1942
ORDINARY REVENUE					
Income Tax	913,000	177,517	273,854	11,043	17,904
Sur-tax	78,000	12,994	12,384	950	774
Estate, etc., Duties	90,000	46,110	46,509	2,026	1,809
Stamps	15,000	6,321	6,960	1,120	1,090
N.D.C.	425,000	9,695	13,535	410	1,145
B.P.T.	1,000	99,495	154,548	7,220	10,665
Other Ind. Rev.	1,000	185	260	14	...
Total Ind. Rev.	1522000	352,317	508,050	22,783	33,387
Customs	438,295	174,659	228,267	8,825	12,436
Excise	366,705	157,600	204,800	16,200	21,400
Total Customs & Excise	805,000	332,259	433,067	25,025	33,836
Motor Duties	34,000	9,346	4,651	273	116
Canadian Govt. Contribution	225,000	...	154,815	...	...
P.O. (Net Receipts)	10,000	4,250	6,400	Dr. 250	Dr. 800
Wireless Licences	4,300	...	1,520	...	360
Crown Lands	800	...	460	...	20
Receipts from Sundry Loans	5,000	1,974	1,030	...	...
Miscellaneous Receipts	21,000	36,776	53,057	2,068	3,950
Total Ord. Rev.	2627100	737,452	1,163,050	49,899	70,868
SELF-BALANCING P.O. & Broadcast.	102,523	48,650	52,600	2,950	4,050
Total	2729623	786,102	1,215,650	52,849	74,918

Expenditure	Estimate, 1942-43	April 1 to Sept. 30, 1941	April 1 to Sept. 30, 1942	10 Days ended Sept. 30, 1941	11 Days ended Sept. 30, 1942
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	325,000	132,557	159,506	1,278	2,456
Payments to N. Ireland	9,500	3,614	3,689	361	335
Other Cons. Fund Services	7,800	3,809	3,719	567	271
Total	342,300	139,980	166,914	2,206	3,062
Supply Services	494,479	209,876	242,710	130,344	144,444
Total Ord. Exp.	528,779	223,586	259,402	132,550	147,505
SELF-BALANCING P.O. & Broadcast.	102,523	48,650	52,600	2,950	4,050
Total	539,302	228,456	264,662	135,500	151,555

After increasing Exchequer balances by £181,349 to £2,791,230, the other operations for the week (no longer shown separately) raised the gross National Debt by £78,052,754 to £15,506 millions.

NET ISSUES (£ thousands)

War Damage Act..... 2,392

Overseas Trade Guarantees..... 3

NET RECEIPTS (£ thousands)

P.O. and Telegraph..... 1,460

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Sept. 26th and Oct. 2nd. (Figures in brackets are par of exchange.)

United States. \$ (4-88) 4-02-03; mail transfers 4-02-03. Canada. \$ (4-88) 4-43-47; mail transfers 4-43-47. Switzerland. Franc (25-22) 17-30-40. Sweden. Krona (18-159) 16-85-95. Argentina. Peso (11-46) 16-65-17-15; mail transfers 16-95-17-15. (11-46) 16-65-17-15; mail transfers 16-95-17-15. Dutch West India. Florin (12-11) 7-59-62; mail transfers 7-59-64. Portugal. Escudo (110) 99-80-100-20. Panama. 34-02-04; mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Office.—Spain. Peseta (25-22) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Piastres (110) 620. Italy. 71-25 lire.

MONTH'S CHANGES IN DEBT

NET INCREASES	NET REPAYMENTS
Treasury Bills..... 49,653	Ways and Means..... 23,315
Nat. Sav. Certs..... 17,750	
3% Def. Bds..... 7,567	
2½% Nat. War Bds..... 48,878	
1949-51 Sav. Bonds..... 30,559	
1960-70 "..... 30,786	
"Other Debt"..... 65,000	
Treasury Deposits..... 30,457	
Tax Res. Certs..... 280,650	

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1941				
Sept. 27	2,577-2	246-5	0-7	600-0
1942				
June 30	2,638-5	160-4	36-3	591-5
July 4	975-0	Not available	...	...
" 11	975-0	Not available	...	...
" 18	975-0	Not available	...	...
" 25	975-0	1654-3	166-8	654-5
Aug. 1	975-0	Not available	...	...
" 8	975-0	Not available	...	...
" 15	975-0	Not available	...	...
" 22	975-0	1668-3	254-4	695-5
Sept. 5	975-0	Not available	...	...
" 12	975-0	Not available	...	...
" 19	975-0	Not available	...	...
" 26	2,693-3	225-6	5-5	760-5

TREASURY BILLS

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1941					
Sept. 26	75-0	186-5	75-0	19-10-65	37
1942					
July 3	75-0	143-9	75-0	20-0-54	40
" 10	75-0	157-7	75-0	20-0-32	33
" 17	75-0	139-6	75-0	19-11-93	33
" 24	75-0	136-8	75-0	20-0-60	42
" 31	75-0	155-1	75-0	19-11-91	28
Aug. 7	75-0	151-4	75-0	20-0-71	38
" 14	75-0	135-6	75-0	20-0-69	44
" 21	75-0	151-4	75-0	20-0-71	39
" 28	75-0	163-6	75-0	20-2-85	31
Sept. 4	75-0	166-1	75-0	19-10-62	44
" 11	75-0	157-3	75-0	19-10-87	40
" 18	75-0	145-3	75-0	20-2-45	27
" 25	75-0	134-7	75-0	19-11-52	55

On Sept. 25th applications at 99 15s. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 55 per cent of the amount applied for, and applications at higher prices in full. 7½ millions of Treasury Bills are being offered on Oct. 2nd.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Aug. 18	4,151	1,902	5,417	6,694
" 25	4,186	1,670	6,034	6,325
Sept. 1	4,509	1,786	9,519	5,689
" 8	4,285	1,952	4,925	20,339
" 15	4,274	1,949	7,583	12,009
" 22	4,180	1,930	6,873	8,977
" 29	...	...	7,197	5,612

Totals to date... 618,667* 493,346* 865,510* 581,992*
 * 148 weeks. † 91 weeks. ‡ 51 weeks.
 § Including series "A." || Including all Series.
 Interest free loans received by the Treasury up to Sept. 29th amounted to a total value of £50,724,819. Up to Sept. 30th, principal of Savings Certificates to the amount of £61,572,000 has been repaid.

Market Rates.—The following rates remained unchanged between Sept. 26th and Oct. 2nd.

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½d. Belgian Congo. Francs 176½-2. China. National \$ 2½-3½d.

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

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 3 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cent pm-par. Sweden. 3 cent pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Sept. 26th and Oct. 2nd:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

SEPTEMBER 30, 1942

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt	11,015,100
In Circulation	Other Govt.	866,190,859
In Bankg. Department	Securities	1,530,008
	Other Secs.	1,264,033
	Silver Coin	...
	Aut. of Ind.	880,000,000
	Issue	...
	Gold Coin & Bullion	241,718
	168s. per £ (fine)	...
		880,241,718

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	140,866,813
Rest.	3,540,538	Other Secs.	...
Public Deps.	10,264,359	Discounts	2,984,893
		Advances	28,759,871
Other Deps.	135,709,923	Securities	31,124,564
Bankers	51,510,414	Notes	42,212,948
Other Accts.	187,220,337	Gold & Silver Coin	1,373,909
			215,578,234

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

COMPARATIVE ANALYSIS

	1941	1942
Issue Dept.		
Notes in circulation	677-4	831-1
Notes in banking department	52-5	49-1
Government debt and securities	727-4	877-2
Other securities	2-1	1-5
Silver coin	0-5	1-3
Gold, valued at s. per fine oz.	168-00	168-00
Deposits:		
Public	12-4	8-1
Bankers	122-3	138-0
Others	54-6	47-4
Total	189-3	193-5
Banking Dept. Secs.:		
Government	124-6	136-0
Discounts, etc.	3-7	4-0
Other	25-2	21-3
Total	153-5	161-3
Banking depart. res.	54-0	50-3
"Proportion"	28-5	25-9

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £830 millions to £880 millions on July 29, 1942.

GOLD AND SILVER

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

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

Date	Cash	Two Months
Sept. 24	23½	23½
" 25	23½	23½
" 28	23½	23½
" 29	23½	23½
" 30	23½	23½

The New York market price of fine silver remained at 44½ cents per ounce throughout the week.

1½%; 4 months, 1½-1½%; 6 months, 1½-1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%; Short Loans, 1½%; Bank deposit rates 1%. Discount deposit at call 1%; at notice 1%.

NEW YORK EXCHANGE RATES

New York on	Sept. 23	Sept. 24	Sept. 25	Sept. 26	Sept. 28	Sept. 29
Cables	Cents	Cents	Cents	Cents	Cents	Cents
London	403½	403½	403½	403½	403½	403½
Montreal	88-50	88-50	88-50	88-50	88-50	88-50
Zurich	23-30	23-30	23-30	23-30	23-30	23-30
B. Aires	23-72	23-72	23-72	23-72	23-72	23-72
Brazil	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-78. † Commercial Bills.

THE REVENUE

I.—AN ACCOUNT OF THE TOTAL REVENUE OF THE UNITED KINGDOM, in the undermentioned periods of the Year ending March 31, 1943, as compared with the corresponding periods of the preceding Year.

	Quarter from July 1st to Sept. 30th, 1942, compared with the corresponding Quarter of the preceding Year.				Estimate for the Year 1942-43	Period from April 1st to Sept. 30th, 1942, compared with the corresponding Period of the preceding Year.			
	Quarter ending Sept. 30th, 1941.	Quarter ending Sept. 30th, 1942.	Increase.	Decrease.		Period ending Sept. 30th, 1941.	Period ending Sept. 30th, 1942.	Increase.	Decrease.
ORDINARY REVENUE.	£	£	£	£	£	£	£	£	£
<i>Inland Revenue—</i>									
Income Tax	97,920,000	144,988,000	47,068,000	...	913,000,000	177,517,000	273,854,000	96,337,000	...
Sur Tax	5,135,000	4,722,000	...	413,000	78,000,000	12,994,000	12,384,000	...	610,000
Estate, &c., Duties	22,395,000	21,374,000	...	1,021,000	90,000,000	46,110,000	46,509,000	399,000	...
Stamps	3,610,000	3,860,000	250,000	...	15,000,000	6,321,000	6,960,000	639,000	...
National Defence Contribution	5,691,000	7,350,000	1,659,000	...	425,000,000	{ 9,695,000	13,535,000	3,840,000	...
Excess Profits Tax	58,900,000	97,952,000	39,052,000	...			99,495,000	154,548,000	55,053,000
Other Inland Revenue Duties	60,000	60,000	...	...	1,000,000	185,000	260,000	75,000	...
<i>Total Inland Revenue</i>	193,711,000	280,306,000	88,029,000	1,434,000	1,522,000,000	352,317,000	508,050,000	156,343,000	610,000
<i>Customs and Excise —</i>									
Customs	93,009,000	117,578,000	24,569,000	...	438,295,000	174,659,000	228,267,000	53,608,000	...
Excise	100,800,000	111,500,000	10,700,000	...	366,705,000	157,600,000	204,800,000	47,200,000	...
<i>Total Customs and Excise</i>	193,809,000	229,078,000	35,269,000	...	805,000,000	332,259,000	433,067,000	100,808,000	...
<i>Motor Vehicle Duties</i>	4,448,000	1,506,000	...	2,942,000	34,000,000	9,346,000	4,651,000	...	4,695,000
Canadian Government Contribution	56,741,573	56,741,573	56,741,573	...	225,000,000	154,815,423	154,815,423	...	...
Post Office (Net Receipts)	2,650,000	2,850,000	200,000	...	10,000,000	4,250,000	6,400,000	2,150,000	...
Wireless Licences	...	830,000	830,000	...	4,300,000	1,520,000	1,520,000	...	...
Crown Lands	...	...	...	40,000	800,000	530,000	460,000	...	70,000
Receipts from Sundry Loans	250,000	210,000	...	775,268	5,000,000	1,973,947	1,030,170	...	943,777
Miscellaneous Receipts	1,167,086	391,818	...	...	21,000,000	36,775,606	53,056,807	16,281,201	...
22,258,479	36,426,355	14,167,876	...	...	...	...	...	...	...
<i>Total Ordinary Revenue</i>	418,293,565	608,339,746	195,237,449	5,191,268	2,627,100,000	737,451,553	1,163,050,400	431,917,624	6,318,777
			190,046,181	Net Increase.				425,598,847	Net Increase.
SELF-BALANCING REVENUE.									
Revenue required to meet expenditure on Post Office and Broadcasting	24,150,000	27,300,000	3,150,000	...	102,523,000	48,650,000	52,600,000	3,950,000	...
<i>Total</i>	442,443,565	635,639,746	198,387,449	5,191,268	2,729,623,000	786,101,553	1,215,650,400	435,867,624	6,318,777
			193,196,181	Net Increase.				429,548,847	Net Increase.

PROVINCIAL BANK CLEARINGS

(£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Sept. 27, 1941	Sept. 26, 1942	Sept. 27, 1941	Sept. 26, 1942
Working days	6	6	228	227
Birmingham	1,863	1,612	85,540	94,662
Bradford	2,566	1,755	84,088	80,881
Bristol	2,381	759	75,702	91,908
Hull	607	568	24,434	28,927
Leeds	1,114	1,209	38,099	43,008
Leicester	637	727	31,099	32,244
Liverpool	5,290	3,760	208,799	175,205
Manchester	10,194	10,777	446,085	460,373
Newcastle	1,171	1,357	50,155	56,973
Nottingham	377	400	17,052	17,735
Sheffield	447	498	26,370	32,295
Southampton	70	83	3,584	4,347
12 Towns	26,717	23,505	1,091,008	1,118,561
Dublin*	5,686	6,385	225,069	248,957

* Sept. 20, 1941, and Sept. 19, 1942.

OVERSEAS BANK RETURNS

PRAGUE NATIONAL BANK

Million crowns

ASSETS	Aug. 7, 1941	June 7, 1942	July 7, 1942	Aug. 7, 1942
	1941	1942	1942	1942
Gold	1,505	1,514	1,514	1,514
Foreign exchange	793	789	...	...
Other cash	680	...	...	356
Bills and securities	840	917	917	917
Advances	...	...	...	...
Other assets	9,208	13,891	13,800	14,021
LIABILITIES				
Note circulation	7,129	10,219	10,331	10,470
Cash certificates	1,525	1,847	1,847	1,847
Clearing deposits	2,682	3,516	3,063	3,394
Other liabilities	1,147	1,326	1,475	1,324

U.S. FEDERAL RESERVE BANKS

Million \$'s

12 U.S.F.R. BANKS	Sept. 25, 1941	Sept. 10, 1942	Sept. 17, 1942	Sept. 24, 1942
	1941	1942	1942	1942
Gold certifs. on hand and due from Treasury	20,362	20,561	20,563	20,563
Total reserves	20,647	20,789	20,804	20,810
Total cash reserves	269	215	226	233
Total U.S. Govt. secs.	2,184	3,502	3,573	3,395
Total bills and secs.	2,204	3,530	3,598	3,419
Total resources	23,392	25,549	26,139	25,977
LIABILITIES				
F.R. notes in circn.	7,164	10,328	10,392	10,462
Excess mtr. bank res.	5,200	2,350	3,040	2,030
Mr. bank res. dep.	13,273	12,402	12,760	11,886
Govt. deposits	379	214	6	485
Total deposits	15,508	13,907	14,005	13,663
Total liabilities	23,932	25,549	26,139	25,977
Reserve ratio	91.1%	95.8%	85.3%	86.3%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	22,749	22,745	22,747	22,750
Treasury & bank currency	3,194	3,343	3,346	3,349
LIABILITIES				
Money in circulation	10,070	13,389	13,440	13,519
Treasury cash and dep.	2,729	2,419	2,212	2,685

REICHSBANK

Million reichsmarks

ASSETS	May 7, 1941	May 23, 1942	May 30, 1942
	1941	1942	1942
Gold and foreign currencies	78	77	77
Bills and cheques	15,918	21,138	20,657
Reitenbank notes	256	290	323
Advances	23	20	19
Securities: for note cover.	18	16	16
Other assets	1,542	1,740	1,912
LIABILITIES			
Notes in circulation	15,210	19,639	19,401
Daily maturing liabilities	2,012	2,753	2,644
Other liabilities	354	422	406

AUSTRALIAN COMMONWEALTH BANK—Million £A's

ASSETS	July 21, 1941	June 8, 1942	June 15, 1942	July 20, 1942
	1941	1942	1942	1942
Gold and English ster.	17.71	25.95	25.95	26.61
Other coin, bullion, etc.	6.21	6.87	6.76	54.79
Call money, London	37.65	37.46	38.74	20.810
Secrts. and Treas. bills.	50.32	102.00	101.75	104.48
Discounts and advances	22.25	27.96	27.56	27.46
LIABILITIES				
Notes issued	68.61	100.36	100.61	104.86
Deposits, etc.	104.22	125.04	126.43	126.30

SOUTH AFRICAN RESERVE BANK

Million £'s

ASSETS	Aug. 22, 1941	July 17, 1942	July 24, 1942	Aug. 21, 1942
	1941	1942	1942	1942
Gold coin and bullion	53.12	58.84	59.86	62.82
Bills discounted	0.89	1.05	1.10	0.85
Invest. and other assets	42.31	56.88	58.02	59.68
LIABILITIES				
Notes in circulation	23.81	31.86	31.81	32.83
Deposits: Government	4.53	4.31	3.53	7.07
Bankers	59.77	70.74	71.50	74.85
Others	4.56	7.13	7.70	4.86
Reserve ratio	57.7%	51.7%	52.2%	52.7%

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

ASSETS	July 14, 1941	June 29, 1942	July 6, 1942	July 13, 1942
	1941	1942	1942	1942
Gold and stg. exch.	22.41	27.52	26.07	26.84
Advances to State	18.96	34.26	34.14	33.85
Investments	3.77	4.15	4.15	4.15
LIABILITIES				
Bank Notes	21.61	25.53	25.49	25.50
Demand liab.: State	9.46	17.54	18.68	17.24
Bank and other	13.34	21.41	18.61	19.86
Reserve to sight liab.	50.4%	42.7%	41.5%	41.7%

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

	Sept. 22, 1942	Sept. 29, 1942
	1942	1942
GRAIN, etc.		
Wheat	s. d.	s. d.
No. 1 N.M.T. 496 lb. f.o.b. St. J.	38 3	38 7
Eng. Gaz. av. per cwt. (e)	16 2	16 2
Flour per 280 lb.	33 3	33 3
Straights d/d London	35 2	34 10
Barley Eng. Gaz. av. per cwt. (e)	14 8	14 9
Oats (e)	13 6	13 6
Maize, La Plata, 480 lb., f.o.b.	4 11	4 11
MEAT—Beef, per 8 lb.	6 5	6 5
English long sides	6 5	6 5
Imported hinds	4 7	4 7
Mutton, per 8 lb.—English	8 6	8 6
Imported	4 7	4 7
Pork, English, per 8 lb.	8 6	8 6
BACON—(per cwt.)—Wilts, cut side	126 0	126 0
HAMS—(per cwt.)—Green	132 0	132 0

OTHER FOODS

	Sept. 22, 1942	Sept. 29, 1942
	1942	1942
BUTTER (per cwt.)—All Grades	142 0	142 0
First hand	99 2	99 2
Home Produced	99 2	99 2
Imported	45 0	45 0
COCOA (per cwt.)—	81 0	81 0
Accra, g.f.	190 0	190 0
Grenada fine	200 0	200 0
COFFEE (per cwt.)—	15 0	15 0
Santos, sup. c. & f.	64 0	64 0
Costa Rica, medium to good	...	...
HOPS (per 120)—English	...	...
LARD (per cwt.)—Imported	...	...
POTATOES (per cwt.)—	...	...
English	...	...

SUGAR

	Sept. 22, 1942	Sept. 29, 1942
	1942	1942
SUGAR (per cwt.)—	...	...
Centrifugals, 96%, prpt. shpm.	...	...
c.f.f. U.K./Cont.	...	...
Refined London—	...	...
Granulated, 2 cwt. bags	49 10	49 10
Granulated, 2 cwt. bags, domestic consumption	21 7	21 7
West India Crystallised	47 6	47 6
TORRADO (per lb.)—	50 10	50 10
Indian stemmed and unstemmed	0 10	0 10
Rhodesian, stemmed and unstemmed	3 0	3 0
Stemmed	1 2	1 2

TEXTILES

	Sept. 22, 1942	Sept. 29, 1942
	1942	1942
COTTON (per lb.)—	...	...
Raw, Mid-American	8.90	8.90
" Giza, F.G.F.	11.55	11.55
Yarns, 36's Ring Beams	18.74	18.74
" 42's Cop. Wt.	18.52	18.52
" 60's Twist (Egyptian)	26.50	26.50
Cloth, per 100 yards—	...	...
31 in. Printer, 64 x 64	35 0	35 0
36's & 42's	35 0	35 0
Cambric Shirting, 32 in.	47 4	47 4
72 x 60, 24's & 24's	...	...

TEXTILES—continued

COTTON—continued	Sept. 22, 1942	Sept. 29, 1942
	1942	1942
Cloth, Overall Cloth, 38 in.	51 8	51 8
52 x 50, 22's & 16's	...	...
Drill, 30 in., 80 x 46, 12's & 10's	74 1	74 1
FLAX (per ton)—	...	...
Livonian ZK	Nom.	Nom.
Pernau HD	Nom.	Nom.
HEMP (per ton)—Manilla, spot	Nom.	Nom.
" 12	Nom.	Nom.
JUTE (per ton)—	...	...
Daisee 2/3 c.f.f. Dundee	34/10/0	34/10/0
Common 8 lb. cops. (per spindle)	4 9	4 9
10 1/40 Hessians, per yd.	0 6.62	0 6.62
8/40 Hessians, per yd.	0 5.10	0 5.10
10/40 Calcutta Hessians, spot	50 6	50 6
100 yds.	40 0	40 0
7/40	34 0	34 0
Sisal (per ton)—African, spot	...	...
No. 1 delivered	34 0	34 0
WOOL (per lb.)—	...	...
Lincoln wethers, washed	19 1	19 1
Selected blackface, greasy	14	14
Australian scd. fleece 70's	37	37
Cape scd. average snow white	29 1	29 1
N.Z. scd. 2nd pieces, 50-56's	24	24
Tops—	...	...
64's warp	45	45
56's super carded	39	39
48's average carded	31	31
44's prepared	29 1	29 1

MINERALS

COAL (per ton)—	Sept. 22, 1942	Sept. 29, 1942
	1942	1942
Welsh, best Admiralty	36 9	36 9
Durham, best gas, f.o.b. Tyne	30 7 1/2	30 7 1/2
IRON AND STEEL (per ton)—	...	...
Pig, Cleveland No. 3, d/d	128 0	128 0
Bars, Middlesbrough	312 6	312 6
Steel rails, heavy	290 6	290 6
Tinplates (home, i.e. 14 x 20)	29 9	29 9
NON-FERROUS METALS (per ton)—	...	...
Copper (e)—Electrolytic	62/0/0	62/0/0
Tio—Standard cash	275/0/0(f)	275/0/0(f)
Lead (d)—Soft, foreign, cash	25/0/0	25/0/0
Spelter (d)—G.O.B., spot	25/15/0	25/15/0
Aluminium, ingots and bars	110/0/0	110/0/0
Nickel, home delivery	190/0/0	190/0/0
Antimony, English, 99%	120/0/0	120/0/0
Wolfram, Empire	2/15/0	2/15/0
Platinum, refined	5/0/0	5/0/0
Quicksilver	9/0/0	9/0/0
Platinum, refined	68/10/0	68/10/0
Quicksilver	69/15/0	69/15/0
GOLD (per fine ounce)	168 0	168 0
SILVER (per ounce)—	...	...
Cash	1 11 1/2	1 11 1/2

MISCELLANEOUS

in paper bags or jute sacks 20 to ton—	(a)	s. d.
6-ton loads and upwards per ton	51 0	51 0
CHEMICALS—		
Acid, Oxalic net. per ton {	60/0/0 65/0/0	60/0/0 65/0/0
" Tartaric, English, less 5%—lb.	s. d.	s. d.
Ammonia, Sulphate. per ton	4 3 1/2	4 3 1/2
Nitrate of Soda. per ton	9/11/6	9/11/6
Potash, Sulphate. per ton	10/14/0	10/14/0
Soda Bicarb. per ton	18/15/0	18/15/0
Soda Crystals. per ton	11/0/0	11/0/0
	5/7/6	5/7/6
COPRA (per ton) — S.D. Straits		
c.i.f.	Nom.	Nom.
HIDES (per lb.)—		
Wet salted Australian, } 40/50 lb.	s. d.	s. d.
Queensland. }	0 7 1/2	0 7 1/2
Cape, J'burg Ord. }	0 7 1/2	0 7 1/2
Dry Capes, 18/20 lb. }	0 8 1/2	0 8 1/2
English & Welsh Market Hides —		
Best heavy ox and heifer. }	0 6 1/2	0 6 1/2
	0 8 1/2	0 8 1/2
LEATHER (per lb.)—		
Sole Bends, 8/14 lb. }	1 9	1 9
	4 3	4 3
Shoulders }	1 3	1 3
	2 4	2 4
Insole Bellies }	0 7 1/2	0 7 1/2
	1 2	1 2
Dressing Hides. }	2 3	2 3
	2 9	2 9
PETROLEUM PRODUCTS (per gal.)—		
Motor Spirit, England & Wales ...	1 10	1 10
(b) Kerosene, Burning Oil ...	0 11 1/2	0 11 1/2
" Vaporising Oil ...	1 1	1 1
(b) Automotive gas oil, in bulk, ex road tank waggons, ...	1 7 1/2	1 7 1/2
Fuel oil, in bulk, England and Wales—		
Furnace ...	0 10 1/2	0 10 1/2
Diesel ...	0 11 1/2	0 11 1/2
ROBIN (per ton)—American. }		
	29 6	29 6
	33 0	33 0
RUBBER (per lb.)—		
St. ribbed smoked sheet.	1 1 1/2	1 1 1/2
SHELLAC (per ton)—TN Orange.. 200/0/0 202/10/0		
TALLOW (per ton)—London Town 25/0/0 25/0/0		
VEGETABLE OILS (per ton net)—		
Linseed, raw ...	46/10/0	46/10/0
Rape, crude ...	48/5/0	48/5/0
Cottonseed, crude ...	31/2/6	31/2/6
Coconut, crude ...	28/2/6	28/2/6
Palm ...	20/15/0	20/15/0
Oil Cakes, Linseed, Indian, ex-mill	11/15/0	11/15/0
Oil Seeds, Linseed—		
Bombay ...	25/0/0	25/0/0
Calcutta ...	22/5/0	22/5/0

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Marsh Beings

WE have to build [Hitler said in Berlin last week] roads and paths, sometimes through marshes. If people say that the Russians can cross the marshes without paths, I reply that they are not human beings. They are a kind of marsh beings." Morale and material factors weigh in war, some experts have said, in the ratio of three to one; and the Fuehrer is deeply concerned about the continuing high morale of the Russian people. The suggestion of the bewildered Nazis is that the Russians hold on because they belong to a lower order than the "cultured" people of the German Reich. It may indeed be that the low standard of living in revolutionary Russia has bred a correspondingly high degree of endurance; for a generation, heavy sacrifices for the common good, long privations and grievous sufferings have hardened the Russian people for their supreme trial. But there is much more than physical endurance behind the Russian resistance. The present generation of Russians is, above all, a generation of pioneers. They are frontiersmen. The mental vigour, the willpower and the eagerness to learn and achieve, which were typical of those who built the British Empire and of the first generations of North Americans, are also the distinctive marks of a people which has been ready to surrender most of the comforts and joys of ordinary life in order to build, say, a Magnitogorsk or a Dnieprostroi. The

impact of revolution is far from spent. The Russian people believe that they are building a new and better order. It is true that the grandeur of their vision has time and again stood in sharp contrast to the miseries of their everyday life during the two-and-a-half decades since the revolution started. But, deep in their hearts, the hope is alive that all the sacrifices and sufferings have been no more than the necessary evils of transition, nothing but the birth-pangs of a new society.

This is the key to the enigma of Russian morale which so much baffles Hitler and his confederates. It is the double hope of social progress and national preservation which has inspired the defenders of Sebastopol and Stalingrad and sustained the men who have scoured the Russian earth. The present Russian generation has learned very little from those who went before it. It started the building of a new Russian society almost from scratch. The people of the Soviets take an ardent, and often naive, pride in their achievements; and they feel, in this war, that they are defending their life work, even when they turn to destroy their homes, their factories, their oil-fields, their coal-mines and their crops.

It is no contradiction of this unchallengeable claim to high morale that compulsion has played, and still plays, a huge part in the Soviet war effort. Indeed, compulsion has been applied in Russia throughout the years of

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(1941 Accounts)

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By Order of the Board,

C. H. D. GARLAND, Secretary.

9, Gracechurch Street, London, E.C.3.

24th September, 1942.

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emergency, on a scale certainly unthinkable in any western society brought up in the traditions of democracy and personal freedom. But it should never be forgotten that the *leitmotiv* of Russian history, almost from its beginnings, has been the absolute preponderance of authority. The ideas of personal freedom and independence have never struck lasting roots in a country whose rural population, until the outset of this century, was organised in the *mir*-communities and whose main industries were established, not by independent entrepreneurs, but by absolute monarchs, on the basis of serf labour. History has taught countless Russian generations to regard the individual as only an atom in an immense social body—the church, the state, the *mir*, with first claim on the liberty and life of the subject. The revolution is bound up with that tradition; the slogans of Marxist collectivism have been fitted into the traditional pattern.

It is because of this spirit and these traditions that the Soviet state, long before the war started, was able to harness all the productive and human resources of Russia to its war effort, on a scale and with a consistency for which no parallel can be found. Immense masses of labour have been organised and moved from one end of the Eurasian continent to the other. Capital investments were made which, for years, left the country with a deficit in consumers' goods; war stocks were accumulated in peacetime while consumption was kept at the lowest possible level.

As far back as February, 1931, Stalin made this plea:

To slow down the pace means to lag behind; and those who lag behind are bound to be beaten. But we do not want to be beaten . . . the history of old Russia shows that our country was uninterruptedly beaten for its backwardness. We were beaten by the Mongol Khans; we were beaten by the Turkish Beys; we were beaten by the Swedish feudatories; we were beaten by the Polish and Lithuanian landlords; we were beaten by the English and French capitalists; we were beaten by the Japanese barons. We were beaten by all for our backwardness . . . Remember the words of the pre-revolutionary poet . . . "thou hast been poor and thou hast been plentiful, thou hast been mighty and thou hast been helpless, Mother Russia."

Stalin was speaking, more than eleven years ago, to Russia's economists. He was looking towards the creation of a national *mystique* around the omnipotent state—and to the war that was coming. By reference to the pre-revolutionary past of his country, he was proclaiming the mission of the Soviet state to put an end to the traditional backwardness of "mighty and helpless" Russia. There are two sides to the bright and shining medal of Russian morale. There is, first, the boundless

claim of the state on the mass of the people; there is, secondly, the belief of the people themselves in the reality of their country's mission. This is the combination which has bred the endurance of the "marsh beings" who bewilder the conqueror of Europe and his military chiefs, and its reality has been written in blood and deeds which have shaken the world. "Marsh beings," intended in contempt, may be the greatest tribute a country has ever wrung from its foes.

The Germans, too, have aided the maintenance of Russian morale. Every Russian peasant, no matter what his past grudge against collective methods, now knows that bare survival is the stake. By their rapacity the Germans have undone themselves; the agricultural new order of the Ostland, a regime of ruthless requisitioning, has done nothing to win over that part of the peasantry of Russia who may perhaps still dream of private farming; the extinction of the last traces of Ukrainian and White Russian autonomy has destroyed the last illusions of the separatists who may before have rested some hopes on Berlin; insistence on the direct and unconcealed incorporation of the Caucasus in the Nazi *Lebensraum* has shown every Caucasian that Moscow is his only hope.

There is little danger that the miracle of Russian morale will be undervalued by Russia's allies. A greater risk is that they will take too much for granted and assume that this morale is sufficient unaided. Morale is an imponderable; because men are human it goes up and down. It would be wrong to assume that, because Russian morale has achieved so much, in terrible straits, it will remain unaffected by the material worsening in Russia's staying power. The people of Britain, above all, should know how the morale of a nation at war changes and fluctuates. Even in Russian morale, there was an ebb during the long retreat of 1941 and a climax during the great defence of Moscow. The peak at Stalingrad was preceded by a slackening on the Don and Kuban. At every crisis, the Soviet Government intervened with vigour to strengthen the spirit of the people at the front and behind it by every means it commanded: political appeals, stern disciplinary measures, drives to step up supplies, all these have played their part—with very remarkable success in the Caucasus and on the Volga. But hard facts remain. Hitler's hope is that, after a second winter of war and hardship and prodigious privation, morale in Russia will break. The hope may be unrealistic. But the strain which the coming winter will put on the people of Russia cannot be denied or glossed over. In the making of Allied strategy and in the forging of Allied action, the limits of the endurance of even these magnificent "marsh beings" must be a major motive, if the Russian miracle is not to be lost and wasted.

Full Employment: The Means

THE conclusions of last week's article on Full Employment were twofold. In the first place, the problem of Full Employment is essentially the problem of the trade cycle. Not all forms of unemployment, it is true, are the products of cyclical depression. "Normal minimum" or the so-called "dynamic" unemployment is an inevitable concomitant of the mobility of labour; seasonal unemployment is as great in years of good trade as in years of bad; and the unemployment that arises from the decay of individual industries is another special—and grievous—case. But the two former could easily be cared for, and the third would be vastly alleviated, if it were possible to avoid the much larger and more widespread unemployment that comes with trade depressions; and it is with these depressions that diagnosis and cure must chiefly concern themselves. Secondly, the way to prevent recurrent depressions is to secure that the community's investment in concrete capital goods is both large enough to embody its Savings and regular in volume from year

to year. Full Employment could be secured by state subsidies in aid of consumption in bad years; but there is a variety of practical reasons for preferring a policy of stabilising investment.

One of the most important of these is that, in subsidising consumption, only the state can act, while in stabilising investment, it can stimulate the activities of others. This is a vital distinction. If the whole burden of maintaining investment were thrust on the state, the task might well be beyond its means, even in these days of enormous budgets and swollen administrations. The state, as an investor, is subject to a large number of limitations. It has difficulty in entering the field of competitive industry, and these difficulties do not arise solely from the jealousies of private capitalists. So long as there is any form of activity, publicly or privately owned which is expected to pay its way, it will naturally resent and oppose the breeding of subsidised competitors. Heavy investment by the state would lead to an inflation of the

national debt and to all the difficulties, real or imaginary, that arise in consequence. These will be the subject of a third article; but it may be interposed here that there are reasons for being more distrustful of public debt than of private debt. The state's difficulties in entering competitive spheres naturally lead it to concentrate its "public works" in fields that are not financially remunerative, such as public buildings, roads, bridges and the like. These things are necessary and desirable and they yield non-monetary dividends; but if too much of the community's savings are invested in forms that yield no money return, there will be trouble. The individuals who save do so in the expectation of monetary return on their savings. A man who has saved all his life cannot live on the magnificence of the local Town Hall or on the smooth directness of the nearest by-pass. If the standard of material living is to maintain its steady rise, it is essential that as much as possible of the community's savings should be invested in forms that will yield a tangible and material dividend in the future—and that is what any state short of the totalitarian has difficulty in doing. Totalitarianism is, indeed, the ultimate end of a "public works" policy, for if any departments of the community's economic life are to be kept independent of the state (whether or not they are collectively owned) it is imperative that they should be constantly reinforced by a stream of new capital investment.

All this is not to say that the state should never engage in capital construction on its own account—on the contrary, there is an inescapable obligation to do so if the alternative is a cyclical depression—but it is to say that "public works" should be regarded as a very poor second best. The primary object of an investment policy should be to see that private investment is kept steady at a high level, and only if that fails to close the gap by "public works." The word "private" is used here to cover investment by any persons or institutions which are financially independent of the Exchequer. A public corporation such as the Central Electricity Board or the London Passenger Transport Board is, in this sense, "private," and the doctrine that the main reliance should be on the stimulation of "private" investment is in no way in conflict with the spread of public ownership. On the contrary, the more public corporations and boards there are, the more influence the economic policy of the Government can be expected to have on the total of non-state investment. Central control over the timing of capital expenditure by these bodies is a point that should be remembered in drawing up their constitutions.

The overwhelming importance of private investment can be illustrated by a few figures. In 1938, out of a net national income (at market price) of £5,040 millions, the total of private net investment at home and of private and Government net investment abroad was £351 millions. But, in a re-armament year, a sizeable proportion of the Government expenditure at home must also

have been on capital goods; this cannot have been less than £150 millions, bringing the total to £500 millions. But these figures are all "net"; they exclude the expenditure necessary to maintain the existing capital of the country. Obviously, for practical purposes, it is impossible to distinguish between a machine that represents a new investment from one that is to replace an old machine; and for the avoidance of unemployment it is as important to see that the money set aside in depreciation funds is all spent as to see that the money set aside as savings is all invested. So, to get an idea of the dimensions of the problem, it can be said that in 1938 the British community spent about £900 millions on capital goods, £500 millions of it from savings and £400 millions out of depreciation funds. But even this sum was not enough to secure full employment; 1938 was a year of only middling trade. From what has happened since, it seems likely that the net national income of 1938 would have needed to be about 10-15 per cent higher to ensure full employment; at a guess, about £250 to £350 millions more of expenditure on capital goods might have been required to secure this. These figures are only rough, but their order of magnitude is right. At the price level of 1938, the requirement for full employment was that from £1,150 to £1,250 millions—say, £1,200 millions a year—should be spent on capital goods. This would represent approximately one-fifth of the gross national output (that is, including the maintenance of capital).

This figure is very much larger than is usually realised, and its magnitude serves to illustrate why it is that attempts by Governments have in the past so frequently failed to produce any effect on the state of trade. Mr Lloyd George's proposals a dozen years ago envisaged the expenditure of £200 millions, and though this was considered to be an impossibly large sum in terms of the public finances, it was obviously too small to exercise any dominant effect on the conjuncture. The American equivalent to the British figure of £1,200 millions would be something like \$20 or \$25 billions, and Mr Roosevelt's peacetime deficits of \$4 or \$5 billions, for all the shouting they provoked, were obviously not in proportion to the problem. Indeed, the quantitative approach provides a clear illustration of the importance of private investment. When the required total is £1,200 millions, a "public works" programme of £200 millions may easily do positive harm, if the circumstances of its announcement are such as to create an atmosphere of alarm and frighten the private individual or institution with money to lay out.

The main endeavour of a Full Employment policy must, therefore, be to maintain a large and steady volume of expenditure on capital goods by persons and institutions other than the Exchequer itself. How can this be done? The instrument that comes most readily to mind is, of course, the rate of interest, and it is certainly to the public advantage that, whenever the volume of investment shows a falling tendency, the state should ensure the

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existence of large funds available for borrowing for investment at low rates of interest. So much has been written on this subject in recent years that it would be impossible to summarise it here and foolish to attempt to add anything. But though reductions in the rate of interest may, in certain circumstances, have a very powerful effect, it would be unwise to place too much reliance on them. Even the lowest rates of interest may fail to make borrowing attractive, if the risks of investment appear to be too great. This is another very large subject—on which, however, in contrast to the rate of interest, the bulk of the writing has yet to be done—and it is hardly possible here to do more than take note of its importance. Some risks—those of war, for example—are beyond the power of economic policy to control; but by far the largest element of risk in investment would be removed if the state could firmly establish its ability to prevent cyclical depressions of trade and its determination to do so. In this respect, nothing will succeed so directly as success.

In the interim period, however, before control of the cycle comes to be taken for granted, it is unlikely that the indirect means of influencing private investment by low rates of interest and by measures to reduce the risk element will by themselves be enough. Some more direct and positive methods of stimulating investment will be required. Much could be done by means of taxation. Thus, there is no reason why the allowances that are made from the income-tax liability of industrial companies for the depreciation of plant should be immutable from year to year. In bad years, they could be doubled—provided the whole amount were spent. Much could also be done by direct control and encouragement. A National Investment Board has hitherto usually been regarded as a means for discouraging unsound investment in boom years. But it would be still more useful as a means of encouraging and facilitating investment when the state of the national economy requires it. The greater the

volume of collective enterprise, the greater should be the influence of the Investment Board, and it is by no means fanciful to look forward to a time when such a Board could, of its own motion, release very large sums for investment.

By all these and other means, the state should do its utmost to keep the volume of normal investment (including its own expenditure on capital goods such as armaments, slum-clearance schemes or post offices) at the required level. It should not be difficult to calculate, almost from month to month, the desired figure, which has here been estimated to be about £1,200 millions a year in the circumstances of 1938. The central principle of the economic policy of the state should be to see that the total of investment exactly equalled that figure, neither more nor less. The task of preventing inflation would indeed remain—in a peculiarly acute form—and to replace a chronic tendency towards deflation by a chronic tendency towards inflation would be an exchange of evils. With Investment and Savings balanced at the highest possible level of employment of resources, the dangers of the nation seeking to increase its investment in monetary terms when no real increase in employment or production is possible are plain. But if the total of investment showed this tendency to rise above the target, the state will surely have (it has already) plenty of effective means of arresting the tendency. If the total of investment showed a tendency to fall below the target, then—but only then—the Government should engage in additional "public works" to whatever extent might be necessary.

This is the barest outline of a Full Employment policy. Provided it was executed on a large enough scale, it would not fail to work. Of that there need be little question. But—as was stated at the beginning of this series of articles—what is still unresolved is the cost that would have to be paid for the attainment of Full Employment. That will form the subject of a concluding article.

Financial Strategy

THE financial side of Britain's mobilisation for war has been handled with much more success during the first three years of the present conflict than during the corresponding period of the last war. The instrument of taxation has been used more efficiently; surplus spending power has been directed into savings more effectively and at a lower rate of interest; and the shrinking supply of essential consumption goods has been distributed more equitably by means of rationing and price control. In sum, the Government has succeeded this time in appropriating, by means of taxation and voluntary savings, a greater proportion of that part of the total of individual incomes which corresponds to what it pays for the physical resources it has transferred to its own use for carrying on the war. The higher degree of financial success in this war is often ascribed with a good deal of justification to the more dexterous handling of the controls, that is, to greater skill in the tactics of finance; actually, however, it is due even more to the better understanding of the rôle of money in war, of the strategy of finance.

Taxation, especially direct taxation, is playing a much more important rôle in war finance than in 1914-18. During the four financial years 1914-15 to 1917-18 revenue (mainly taxation) provided £1,844 millions, or 26 per cent, of central Government expenditure amounting to £7,013 millions; for the financial years 1939-40 to 1942-43 (the figures for the current financial year are estimates) revenue totals £6,934 millions, or 44 per cent of the national expenditure of £15,648 millions. During the calendar years 1940 and 1941, nearly one-half of central Government expenditure requiring domestic finance was covered by revenue; in the current financial year, revenue will contribute more than one-half. Income tax and surtax are expected to yield nearly £1,000

millions during the current year, more than four times as much as in 1917-18. True, the standard rate of income tax was increased more than fourfold between 1913-14 and 1917-18 from 1s. 2d. to 5s.; but the highest rate ever reached during the last war was 6s., compared with the present figure of 10s. Moreover, the incidence of direct taxation is now much heavier on all ranges of incomes.

How severely the higher income categories have been dealt with was shown by the Chancellor of the Exchequer in receipt of net incomes (after taxation) exceeding £6,000, against 7,000 in 1938-39; in the £4,000 to £6,000 group the number was 1,170, against 12,000; in the £2,000 to £4,000 group it was 30,750, against 56,000; and in the £1,000. to £2,000 group 105,000, against 155,000. For all practical purposes, there is now a ceiling of about £6,000 on individual net incomes; and only a mere handful of individuals are able to retain net incomes over £4,000. (Details of changes in direct taxation on incomes of £2,000 and over since 1913 are given on page 466.)

Savings, too, are at a higher rate than during the last war, while rationing and price control now assure the essentials of life to the poorer section of the community much more effectively than 25 years ago. A comparison of the last and the present wars reveals how much more effectively the Government is now using the financial controls. Broadly, the rise in both prices and wages was twice as rapid in 1914-17 as in 1939-42. The *Economist* 1914-17, compared with 60 per cent in 1939-42; the official cost of living index advanced by 80 per cent against 30 per cent; and wage rates by nearly 60 per

cent against 30 per cent. Moreover, as *The Economist's* quarterly analyses show, business profits have been effectively stabilised since 1939 by EPT.

In every respect, then, British war finance in 1939-42 stands the test of comparison with the first three years of the last war. But if the controls have so far been handled more dexterously than 25 years ago, they have by no means functioned perfectly. The Government has not entirely succeeded in reducing the spending of civilians proportionately to the shrinkage in the supply of consumption goods; in other words, it has failed to withdraw purchasing power corresponding to the transfer of resources to its own war uses. Consequently it has been compelled, to some extent, to make good its own deficiency in purchasing power by having recourse, indirectly, to the "printing press." True, the dose of inflation has so far been small, and, since the prices of essential consumption goods are controlled, it has made itself felt mainly in the category of non-essentials. But the conditions of inflation, excess purchasing power side by side with a dwindling stock of civilian goods and services, do exist. The financial position at the end of three years of war is, by any standard of comparison, encouraging. But the problem now is to preserve the gains which have been made by making quite certain that latent inflation cannot become active. The task will not be easy. The country's resources are now almost fully employed. The supply of new consumers' goods available for civilian purchase must continue to decline and, inevitably, the civilian purchasing power available for their purchase will outstrip their total value at current prices at a progressive rate, even if the volume of purchasing power is not itself swollen further. Hitherto, as Mr Kalecki points out in the current issue of the *Bulletin of the Oxford Institute of Statistics*, the depletion

of stocks has cushioned the effect of the reduction in the output of civilian goods, but this cannot go on.

In the absence of a further increase in civilian spending power, the further reduction in the supply of new consumers' goods, which is inevitable, need not give rise to serious difficulties. In theory at any rate, they would be overcome by the means which have already gained so much success, by the extension of rationing and price control and by still higher taxes on non-essentials. But it is very doubtful indeed whether these existing weapons for combating inflation—taxation, savings, rationing and price control—will be adequate to deal with any further substantial increase in purchasing power due to still higher wages and salaries. Experience suggests that the time has now come for the adoption of a defensive strategy in war finance, that is, for putting the brake on further general increases in personal incomes. This is a democratic country; and on Wednesday last week the Lord Chancellor, on behalf of the Government, strongly deprecated the suggestion that collective bargaining should be abandoned in favour of state regulation of wages. But what if maintenance of collective bargaining means the maintenance of the pressure for higher wages? If the Government could effectively restrain this pressure, the arguments for preserving the peacetime machinery *in toto* would be wholly convincing. But unless the organised trade unions are ready to show more economic understanding than at present, the pressure will continue; and mere exhortations on behalf of the Government will be no substitute for a deliberate policy to restrain increases in all forms of income, salaries no less than wage earnings. Unless the rising tide of purchasing power in the hands of the public is arrested, the dam, which is already leaking, may well give way under the strain.

Banks in the Dock

NO excuse need be offered for restating the fundamental factors that determine the variations in the volume of bank credit in this country. Much of the exposition may be *vieux jeu* to most readers of *The Economist*; but it is apparently still the most exciting novelty to the many people who, at the signal given by the Archbishop of Canterbury, have recently rushed into dogmatic pronouncements on the subject—pronouncements which may well have fostered among the general and uninstructed public a feeling that they and their interests are in the hands of a clique of bankers wielding some sort of sinister and secret power, and wielding it none too chivalrously. Such an impression could do a great deal of quite unjustified harm, and, in so far as it rests upon misrepresentations of fact, it is important that these should be exposed.

The case for the prosecution may be summarised as follows: "The banks create credit; bank credit now constitutes over 80 per cent of the money circulating in this credit; hence the exercise of this power of credit creation involves a delegation to private institutions of the right of issue, which should be vested in the state; there is all the more reason for transferring this power of credit creation from the banks to the state because banking in this country has become a monopoly; finally, the banks add insult to injury by actually charging interest on the credit which they are able to create out of nothing." It is not possible to answer this charge simply by saying that "the whole case falls to the ground because no bank can lend resources which have not been deposited with it." The fact that, since the beginning of the war, the total of bank deposits in this country has risen by over £1,000 millions is sufficient proof that credit creation has been proceeding at a very considerable pace, and that this has occurred by some process of which the banks themselves cannot have been wholly unaware.

The real answer, of course, is to ask whether it is not a fact that actual responsibility for this creation of credit rests, not with the banks who are pilloried, but with the state itself, to which, so these indignant critics suggest, a total monopoly of banking should forthwith be given.

But there is one item in the charge sheet where categorical and complete refutation can be made, and it can be removed at once. There is no banking monopoly in this country. The fear of such a monopoly was engendered by the great banking amalgamations of the last war. It led to official action as a result of which Treasury and Board of Trade sanction has been required for every bank merger effected since 1918. Apart from certain agreements among the banks to limit the rates paid on deposits and to desist from active competition for business during the war (they are specified in a note on page 447), the big joint stock banks are independent and competitive units. Moreover, they are surrounded by many institutions, such as savings banks, building societies, private and overseas banks, hire purchase finance houses and the like, whose activities impinge on theirs at many points in a highly competitive way.

What then of the basis of the indictment, namely, the contention that banks create credit? The answer, of course, is that they do, but that there is nothing reprehensible or peculiar in the fact. The banks are far from unique in this respect. The tradesman who gives his customers one or three months to pay for his bills also creates credit. Any act of confidence which allows goods and services to be exchanged without immediate payment is a creation of credit and provides an addition to the

WANTED.—Joan Robinson's "*The Economics of Imperfect Competition*."—Wm. Dawson & Sons, Ltd., 43, Weymouth Street, W.1.

immediately available and effective volume of purchasing power. The banks share this power with every other corporation or individual of sufficient substance or reputation. But they wield it in a manner which acquires special importance and significance from the fact that the bulk of the purchasing power employed in this country consists of cheques drawn on bank accounts. When a bank grants a loan to a customer, or gives the Government credit by buying a Treasury bill or National War Bonds, it is making available immediate purchasing power. But it does not follow that every loan or every purchase of securities by a bank creates an equal amount of deposits. The addition to earning assets may be neutralised by a contraction elsewhere; and the process of credit creation will only be rounded off if the banks can continue to command the confidence of the public and re-attract as deposits the additional credit created by the expansion in their assets. A loan whose proceeds are taken out in the form of cash will not immediately create a deposit. Its only effect on the banking position will be to increase the loans of the bank concerned and to reduce its cash; the deposits will be unaffected.

Let it be assumed, however, that the confidence is there and that the credit circuit is not broken by any undue tendency to hoard currency. What, then, determines the extent to which banks can vary the total of their assets and so create or destroy credit? There are two fundamental factors. One is variable, that is, the amount of bank cash available (this consists of currency in the tills and balances maintained by the banks with the Bank of England); the second, the ratio of cash to deposits maintained by the banks, is more or less constant. Many practical bankers will vehemently deny that they ever create credit because, they assert, whenever they decide to make an additional loan or buy more securities, they know they have the required money in their account at the Bank of England. But this argument loses sight of the dynamic character of the credit situation; it ignores the fact that the cash used, as the loan is drawn upon or the securities bought, is not destroyed, but returns to the banking system. The total cash basis remains unaffected by this particular bank's operation, but deposits will have increased in step with the increase in earning assets. At the same time, the ratio of cash to deposits, which must have been slightly above the normal figure when the expansion in assets was decided upon, will have gone back towards normal. The important point is that the volume of this basis of credit is determined by the Bank of England acting in the closest co-operation with the Treasury. Given that the banks work to a more or less constant cash ratio, it is thus with the authorities that the decision lies as to what the total amount of bank credit is to be. The commercial banks' rôle in this mechanism is, first, to decide upon the distribution of the existing volume of credit; and, secondly, to operate the mass of credit, that is, the bank accounts, which constitute so large a part of total purchasing power. In an economic

system made up of a large number of competing and privately owned units, there is everything to be said in favour of allowing a number of banks, themselves in keen competition, to perform this function of selecting credit worthy borrowers. The dangers and abuses of monopoly are avoided; but these dangers and abuses would be courted if, side by side with free industrial and commercial enterprises, there were to be a monopoly of credit operated under complete State control.

These generalities can be clothed with facts. Two sets of facts are germane: the changes which have taken place in the banking position in this country during the war; and the remuneration actually derived by the banking system for its part in the expansion of credit—a point which seems to stick in the throats of so many people. Since August, 1939, clearing bank deposits have risen by some £1,060 millions, and the main counterpart to this movement has been an increase of £480 millions in the banks' investments and the lending of £630 millions by the banks to the Treasury in the form of six months' deposits. In other words, the propelling force in the expansion of bank credit during the war has been the accumulation of Government paper by the banks. The final cause is state policy in wartime; the trend simply reflects the wartime intrusion of the state in the national economy; and the fall of bank advances by some £200 millions during the same period is a partial measure of the corresponding contraction which has inevitably taken place in the sphere of private enterprise. The question which is most often asked, of course, is whether, in view of this switch from normal, banking operations to the purchase and discount of Government paper, the banks have not been overpaid for their services; and it must be admitted that the new type of wartime banking operation is one which calls for none of the discernment and expertness required in the making of loans and advances in peacetime. At one extreme in the clamour which has arisen around this question of the banks' remuneration, there is a suggestion that the credit thus created is "costless" and that the banks are, therefore, not entitled to any return on the assets concerned. This reflects a complete misunderstanding. The credit created has returned to the banks as depositors' money. On part of these additional deposits, interest is paid. The rest consists of current accounts and the costs of their operations, namely, of clearing cheques, effecting payments, meeting cash withdrawals, and so on, must be met, and are far from negligible. There is no such thing as "costless" credit. The additional Government paper held by the banks since the beginning of the war bears an average rate of interest of about 1½ per cent; and, certainly, if the cost of operating the additional deposits and the higher rate of taxation are allowed for, there can have been little room for profiteering. Moreover, if there were the slightest tendency towards profiteering, EPT would take care of it.

Thus the final judgment in this *cause célèbre* is plain. The banks are very far from being a monopoly. They play some part in the creation of credit, but have no say in deciding what the amount of banking credit is to be. That decision is in the hands of the monetary authorities, that is, of the central bank and the appropriate Government department. In this respect, banks are simply an instrument of state policy, and their rôle is merely to decide how the volume of credit is to be distributed—a rôle which must, of course, be exercised within ever narrowing limits during wartime when a preponderant part of the economic life of the country is under direct Government control. Nor is there any evidence that the large wartime expansion in bank credit, for which state needs have been responsible, has brought the banks any appreciable increase in profits. It is hard to avoid the conclusion that, if the current popular indictment were properly drawn, it would be directed, not against the banks, but against the Government. The hand may indeed be the hand of Esau. But the voice is the voice of Jacob—the Government—and, in war economy, it is difficult to see how Jacob could speak otherwise.

THE WORLD OVERSEAS

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NOTES OF THE WEEK

Stalin's Statement

Mr Willkie has been followed in his "public prodding" by the Soviet Premier himself—in three laconic, but deliberate, answers to leading questions put by an American journalist. It is obvious that no amount of "prodding" can possibly bring about any quick change in the strategic conditions and the state of material preparedness for a Second Front. After all his conferences with Allied statesmen Stalin is most certainly aware of this fact. That he has nevertheless found it necessary to indicate his doubts in public shows how extremely acute the impatience for concerted Allied action has grown inside Russia itself. When he contrasts "the aid which the Soviet Union is giving to the Allies by drawing upon itself the main forces of the German-Fascist armies" with the "aid of the Allies to the Soviet Union," Stalin echoes the popular feeling which prevails throughout his country. The political implications of this mood of the Russian people deserve the closest attention; during the last war, a similar mood of impatience swept Tsarist Russia because of delays in the delivery of Allied munitions. Stalin's guarded remark about Russia's capacity to resist not only expresses the self-confidence of the Russians, who have already worked wonders: it also implies a carefully formulated warning. Stalin declared that the Soviet capacity to resist is "not less, if not greater than the capacity of Fascist Germany, or of any other aggressive power, to secure for itself world domination." But what may matter most in the short run is not the capacity of the Germans to achieve world domination, that is, to defeat Russia and Great Britain and the USA, but their capacity to strike crippling blows on Russia. On this Stalin prefers not to make any optimistic forecasts. Without illusions, he does not permit himself to be lulled into a false sense of security by the unexpectedly favourable course of the fighting on the Stalingrad front. The position remains very grave, and it may grow graver yet. In fact, this is almost certainly what Stalin meant to convey to the United Nations. His warning will surely not go unheeded as the time for action ticks away.

The Common Task

"I thought, apart from what he said about the Second Front and materials, it was a very encouraging statement," Lord Halifax's exceptions, in his comment on what Stalin told the Associated Press last Sunday, cover a rather wide tract of territory. At bottom, the problems of the Second Front and the distribution of Allied war equipment from the common pool are inseparable; they are really one problem, that of the deployment of men and supplies according to a single strategy. In its solution, the Allies can work in one or two ways—in concert or in parallel. While the United States was still at peace, the distribution of American supplies was less complicated; they went to the battle-fronts in order of urgency. Now the United States is at war as well as being an arsenal. Inevitably, American men and American supplies are applied to the building up of American forces, at home as well as abroad, forces which are intended to exercise a decisive influence on the outcome of the war, and certainly will be capable of doing so. But America, the most potent war maker in the world, is—unlike Russia, Britain and China—not a base; happily for them, the American people's fighting will be done on foreign soil; and distance, though an aid, can also be a distraction. The danger to be avoided, therefore, is the danger of building up and equipping separate American armies and armadas, at sea and in the air, while men and equipment are desperately needed for prompt action in the actual theatres of decision. Separatism in strategy or in the allocation of supplies, if carried beyond a point, means incurring the danger of "too much and too late." It is a tribute to President Roosevelt that, even before the United States became a belligerent, he saw this danger. He gave priority in the allocation of American aircraft to the battle needs of Britain; he sent American troops to Iceland, Northern Ireland, the West Indies and the Pacific. He clearly realises that the test of an army or an air force is its use in action, and not its accumulation. The problem which Stalin and, before him, Chinese spokesmen have posed is whether this realisation has been carried far enough

in the minds of the war chiefs of the United States—or those of Britain. In the bombardment of Germany, for instance, to take what is perhaps a hypothetical case, it is a moot point whether the vast output of the United States can be best used in the form of steady increments to the British air offensive or in the form of a mighty American bomber fleet to be thrown in *en bloc* at a later stage—whether to double or treble the Allied air striking power some time in the future is better than a mounting attack week by week now. The same is true at sea and on land. Stalin's implied question is whether, say, four million American soldiers in battle early would not win more for freedom than ten million later. Apart from Stalin's open doubts—which may be significant—there is no evidence before the layman that the United States, in the making of its strategy of either supply and operations, is blind to the need for integration as well as concentration in the common effort. But the point is crucial.

Nazis Speak

Goebbels, Hitler and Goering all spoke last week at mass demonstrations of the Nazi party. The occasions were the opening of the Winter Help campaign and the public decoration of agricultural leaders. Goebbels did more than give his usual report of the progress of Winter Help activities. The Winter Help principle he described as true "German Socialism," and in this light he surveyed Nazi achievements since 1932. He compared Germany's present difficult position in the world war with the Nazi party's difficulties in the autumn of 1932, when several million votes had been lost in the November elections. In spite of its setbacks, he pointed out, the party came quickly into power. In the same way, he suggested, Germany, faced by the same plutocratic enemies as confronted the Nazis ten years ago, will triumph. Hitler took up the tale where Goebbels left off. He pointed to the long record of victories in the field since 1939. He explained the slow progress of recent weeks on the eastern front by the need for caution and for reorganising the occupied territories for the immediate benefit of the German people and the material strengthening of the war power of German Europe. Hitler, too, pointed to "German Socialism" at home. There are no longer any class differences, he said: the Nazi ideal of "a people's community" has been realised. It was this social solidarity within the Reich to which both Goebbels and Hitler pointed as the chief foundation and assurance of victory. Goering went into details. In Germany, he claimed, the food situation is safe, while the German armies can live on the territories they occupy. He, too, spoke at length of the strength and justice of the "people's community" which Nazism is alleged to have brought into being. "German Socialism" and European resources, these were the two reasons which these Nazi leaders dangled before their followers to counteract the disillusionment and disappointment which have grown and spread since the glamorous conquests of 1939 and 1940. The German people will now be able to put these explanations to the test of hard fact.

Apologia

It is plain that the speeches of Goebbels, Hitler and Goering last week were attempts to allay alarm and dispel despondency. All three were obviously anxious to strengthen, if not even to revive, confidence in Nazi leadership. Goebbels, for instance, indulged in a tremendous eulogy, unprecedented for him, of the Fuehrer. Goering, in perhaps the most important part of his speech, redefined the functions of the German General Staff and restated Hitler's position as the supreme leader of the German Reich. In every unit of the *Wehrmacht*, he said, one man is in sole command; but, he emphasised, Hitler holds supreme political and military command and is alone responsible for victory or defeat. Plainly, Nazi leadership is on trial. The German people were told by all three speakers that the resources of Europe, organised as a whole, would enable Germany to continue and win the war, and make it possible for the German people to feed and be clothed and housed adequately. The argument is that, while war is in one way or another almost the normal condition of the new

German empire, the German people themselves can remain relatively secure because of the far-reaching conquests already achieved. But the mass of the German people can only be reconciled to this state of affairs if the goods promised are delivered—that is, if they have physical security and physical well-being, both of which they notably lack at present. The test of Nazi leadership is to provide these conditions; and it was the aim and object of last week's three speeches to prove that the promises made could and would be made good. This was the reason for the stress which all three put upon the so-called "people's community" and the organised wealth of German Europe. The fact remains that the material benefits which the Nazi leaders can, in fact offer, are extremely small; and the road to the crisis of confidence which has not yet come in Nazi Germany is plainly paved with heavy casualties and material shortages.

Two-Day Debate

The picture of the coal position that emerged from the two-day debate in the House is a sorry one. The discussion brought out very clearly that the present difficulties are the result of a policy of drift, indeed, of inexplicable shortsightedness on the part of the Government. Mr Grenfell, the former Secretary for Mines, was at pains to protest that his warnings after Dunkirk went unheeded and that his authority was severely limited. If Mr Grenfell had had the courage of his convictions, he might surely have resigned in time to bring the matter to a head before it was too late. Production has shown a steady decline from nearly 230 million tons in the year preceding Dunkirk to 207½ million tons in the past year and an annual rate of less than 200 million tons during the five months which ended in September this year. Major Lloyd George pointed out that, compared with a year ago, output is down by 70,000 tons a week in spite of an increase of 17,000 in the industry's labour force. He confirmed the conclusions about the distribution of absenteeism which were suggested in a letter to the *Times* from the secretary of the Kent Coal Owners' Association on September 30th. The standard of attendance among older men is much better than among the younger men; the best record is that of men between 40 and 50 and the worst that of those between 20 and 30. The Minister of Fuel and Power outlined his plans for improving the position by technical reorganisation in order to increase the output per head. But he admitted that the reorganisation of the industry will take time and is not likely to have "a very material effect" on the supply of coal this winter—*an understatement unless reorganisation is much speedier and more drastic than it has been yet.* There is no prospect of the release of large numbers of miners from the Services. Sir John Anderson pointed out on Monday that the number still in this country who could be released, including those in the field army, does not exceed 4,000 and that, in any case, the Cabinet had decided against drawing miners from the field army at this stage.

Coal for the Winter

What is the prospect for coal supplies this winter? Mr Grenfell estimated that, including export requirements of about four million tons, 124 million tons would be required during the six winter months. Stocks, he said, were millions of tons down and, after allowing for economies and a withdrawal of six million tons from reserves, some 110 million tons would have to be produced in 25 weeks, involving an average weekly output of 4,400,000 tons. The current weekly rate of output is well below this figure. Mr Shinwell came out strongly in favour of consumer rationing as a means of avoiding hardship. Major Lloyd George retorted by saying that the outlook was not as gloomy as Mr Grenfell's statement suggested. He admitted that stocks were not as high as a year ago, but added that they were much better distributed throughout the country. Production, moreover, is going up. From a weekly average of 3,921,000 tons from the middle of June to the week preceding the August Bank Holiday, output has risen to an average of 4,031,000 tons; since the introduction of the bonus scheme it has been 4,085,000 tons and during the past fortnight this figure has been exceeded. A welcome innovation is his decision to publish monthly output figures, together with a statement showing the percentage of the standard tonnage reached in each district.

I am satisfied [said the Minister] that we can get through

this winter, provided we can get the full co-operation of all, both consumers and producers—and when I refer to producers, I do not refer only to the men, but to the managements as well, and when I refer to consumers, I do not refer to domestic consumers only, but also to industrial consumers.

The Minister has reduced the allocation of domestic coal and its equivalents in gas and electricity by four million tons this winter; but, in his view, the decision to instruct merchants to give priority to consumers who normally use about one cwt. a week will prevent hardship among the poor who have not been able to take advantage of the permission to lay in stocks during the summer. This scheme is an improvement on the present position, but it is hardly an effective substitute for rationing. Despite Major Lloyd George's attempt to deprecate scaremongering, the coal debate has, if anything, underlined the extreme gravity of the coal position—which, all in all, is one of the most shocking episodes of the war.

The Black Spot

The nation's health, it is stated—with almost irritating reiteration—in the Ministry of Health's report for 1941-42 (Cmd. 6394), has remained good. But in respect of tuberculosis the situation is unsatisfactory, and there has appeared this week the report of the Medical Research Council's Committee on Tuberculosis in Wartime, which shows that, although total deaths from TB are now roughly halved compared with twenty-five years ago, the increase in mortality between 1939 and 1941—an increase of 11 per cent for males and 13 per cent for females—compares with increases of 5 per cent and 7 per cent, respectively, in 1914-16. In other words, though absolutely the position to-day compares very favourably with the last war, the retrogression during the war has been twice as severe, relatively, as in 1914-16. Tuberculosis is a social disease, and it is not difficult to find in a war—especially total war—social conditions and factors which favour its spread: the Committee enumerates the evacuation of many sanatoria in September, 1939; the black-out, which diminishes ventilation and possibly lowers general resistance; overcrowding in homes as a result of bombing and billeting; evacuation of the population, which may have introduced tuberculous persons into healthy homes and *vice versa*; evacuation of town to country, with the result that children, previously fed on pasteurised milk, may have changed over to raw milk. But if TB is a social disease, the remedies are social too, and the most striking feature of the report is the dependence of its recommendations on the policy and actions of, not one, but several Government Departments. The Ministry of Agriculture is responsible for an adequate supply of milk—"the adult population must be considered as having been inadequately supplied with milk during the winter months"—and for a safe supply of milk—either free from infection or properly pasteurised. In view of the importance of early diagnosis for successful treatment, the Committee recommends periodic mass radiography of susceptible sections of the community, particularly now of munition workers; this presumably would depend on the Ministry of Labour. But though in many cases institutional treatment will be unnecessary, early diagnosis is not enough if facilities for treating more advanced cases are inadequate. The Ministry of Health should release more beds from the Emergency Hospital Scheme and, if the shortage of nurses and domestic staff cannot be overcome by appeals and propaganda, together with an overdue improvement in pay and conditions of work, powers of direction should be used.

But, again, diagnosis and treatment are rendered nugatory if the patient has to resume full-time exacting employment too soon. Consequently, the Committee recommends proper financial support for the patient and his family to continue after the sanatorium phase is ended. At present, a tuberculous worker and his dependants may have only which to live after discharge, with the result that for convalescence he rushes back to full-time work, and frequently has a relapse. Moreover, it is fear of poverty which frequently deters people from coming forward for early diagnosis. Together with financial provision the Committee recommends modified work in factories for those on the way to recovery and even where possible for chronic tuberculous workers. Full financial and physical rehabilitation of TB cases is the joint responsibility of the Ministries of Health and Labour—unless they shelve it on to Sir

William Beveridge—and immediate action is needed if this black spot on the public's health is to be removed—as it can be.

Plans and Planners

A note on page 462 criticises the new tin agreement because, in authority and decision, it remains a producers' organisation. The Atlantic Charter asked for access on equal terms to the world's trade and raw materials. This did not mean that countries wishing to buy raw materials in the past had been physically prevented from doing so. They could always buy, if they had the wherewithal. There was no discrimination between buyers. But there was a definite discrimination in the fixing of production or prices in favour of producers against the consumers. There was, in short, the tendency towards monopoly or quasi-monopoly, which disfigured economic activity almost everywhere. This is not to say that producers were or are rogues and consumers saints. The tin producers banded together in the first place, not to secure great gains, but to protect themselves against great losses; and the point is that producers' organisations of this kind seek to protect the high-cost producer equally with the low-cost producer. The problem is an economic one. Arrangements of this kind do not make the best use, in real terms, of the world's resources because they are contrived in financial terms, in order to maintain profits or avert losses. One of the chief aims of planning after the war will be to prevent financial considerations from impeding the full employment of resources at the maximum level of output and consumption. This is surely one of the main lessons which the war has taught. Again and again, the planning of war economy has been impeded by the natural reluctance of individuals or undertakings to face financial losses, and the absence of any unified system of compensation, to prevent these purely accounting considerations from standing in the way of necessary wartime changes, has been the main drag on the progress of war production. In different circumstances, the same will be true of whatever planning may be necessary for peace and prosperity after the war.

The basic trouble of to-day is not that the principles of economics worked out by those who analysed the simpler economies of the last century have been proved wrong. What has happened is that the conditions in which these principles could work with effect have been replaced by a much more complicated system of social, political and economic institutions, bringing with them almost insuperable obstacles to the working of the principles which were also practice when markets were relatively free. Most of the restrictive measures which have been brought into being can be placed under the head either of protection or of monopoly, and arose from the desire of employers, trade unions, producers' organisations or nations to safeguard themselves against insecurity. The task of planning in the future is not, as some people have supposed, to increase these rigidities to a maximum, but rather to furnish a new set of economic conditions in which the old principles which held in the free market will once again be true in actual practice. The problem of the planner will be to give the individual security, not by impeding production or penalising consumption, but by making it no longer necessary for individuals or undertakings to engage in these malpractices in order to avert financial losses. On any estimate, it is far better to compensate a high-cost producer for going out of business than it is to permit him to levy a toll on consumers and to hold up output by arrangements designed to keep him as a going concern. The real test of post-war planning, national or international, will be whether it can achieve, at one and the same time, security and adaptability. Without security, there will be political disaster. Without adaptability—adaptability of the effectiveness which the freer markets of the nineteenth century achieved—there will be economic decadence and social decline.

The French Crisis

Two recent events—the placing of Herriot under arrest and the dismissal of Benoist-Méchin—have revealed two aspects of the crisis which has been growing in Vichy. The two names are, each of them in a different way, almost symbolic. Herriot, the most outstanding repre-

sentative of French radicalism, the head of several French Governments during the past two decades and the Speaker of France's last Parliament, has perhaps better than anybody else among the pleiad of Republican politicians embodied the political qualities of the democratically minded *Français moyen*. His attitude towards Vichy has been highly significant. At Bordeaux he fought against the capitulation; but, faced with a *fait accompli*, Herriot refrained from any open struggle against Pétain; he did his utmost to "exert pressure" upon the men of Vichy behind the scenes. For some time, he apparently still believed in the effectiveness of such methods, and preferred to appeal to the "good will" of the old Marshal rather than to push the internal division of France to extremes. His hopes, however, have been frustrated. Vichy has proved immune against any well-meaning and patriotic "pressure." Herriot has gone back to open struggle. About a year ago, he reasserted his faith in the British Alliance in an article written for the American press. As a sign of protest against collaboration, he returned his cross of the *Légion d'Honneur*. Finally, he recently openly accused Pétain and Laval of usurpation of power and of "drawing France into the war against her allies." Herriot's conduct has been the most sensitive barometer of the feelings of the great mass of democratic Frenchmen. It has faithfully reflected the evolution which led the country from the great illusion about the "victor of Verdun" to disappointment and active resistance. By the internment of Herriot, Laval has simply acknowledged this and given up any hope of reconciliation with the *Français moyen*. Benoist-Méchin, Vichy's ex-Secretary of State, comes from a completely different political environment. He has belonged to the obscure clique of Fascist speculators and gangsters, grouped around Doriot. Inside Vichy, he represented the extreme collaborationist tendency. The immediate reason for his dismissal was his participation in a Doriotist intrigue against Laval, sponsored by German protectors. His dismissal is probably indicative of the state of tension which exists between Vichy and some influential German circles in Paris. Having lost the last remnants of confidence in the eyes of genuinely French public opinion, Laval has been equally unable to placate the intransigent collaborationists.

Rising Tempers in Scandinavia

Since April 9, 1940, when the Germans overran Denmark, less news of Danish affairs has reached this country than of developments in any other occupied territory. In the last week, however, reports from Sweden and Germany have suggested that a state of acute crisis and tension has been reached between the Danes and the German authorities. A number of menacing statements issued from Germany make it appear possible that the invaders are about to introduce a regime on the quiescent model—or even to incorporate Denmark into the Reich as a formal *Gau*. The report that General Lüdke, who commands the German troops in Denmark, is to be replaced by the more ruthless General Heydeberck also indicates that the reins are to be more tightly held; and the somewhat ominous statement of the Danish Prime Minister, Hr. Buhl, in the *Rigsdag* on Tuesday did nothing to dispel the general foreboding. It is believed that the Germans

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have in fact been putting increased pressure on the Danish Government since the end of August and may even have presented some form of ultimatum, demanding among other things a totalitarian adjustment of the constitution. There is no doubt that the parading of the Danish Free Corps in the streets and the behaviour of the Germans themselves has become increasingly provocative in recent weeks. Why the Germans should provoke a crisis at the present moment is best known to themselves. It is not out of the question that sabotage has begun to assume serious proportions and that the growing hostility of the most peaceful population in the world is now a genuine danger. That the crisis is inspired by strategic reasons, especially by a desire to secure communications with Norway and Finland, is perhaps less likely. The incident, which threatens to expose another nation to the full blast of Nazi terrorism, proves once more that the most conservative minimum of freedom and independence are incompatible with the war and peace aims of the Third Reich. And while Denmark faces the threat of reduction to the status of Norway, the Norwegians face an outbreak of terror of the quality hitherto reserved for central and eastern Europe, as arrests and executions follow the declaration of a state of siege in Trondheim.

Party Strife in Argentina

Before going into recess on September 30th, the Argentine Chamber of Deputies delivered a vigorous Partisan shot at the neutrality policy of President Castillo by passing two highly provocative resolutions. In a session unattended by the Foreign Minister, Señor Ruiz Guinazu, the Chamber voted, by 67 votes to 64, in favour of breaking off diplomatic relations with the Axis powers. It also voted overwhelmingly, by 71 to 9, in favour of implementing the decisions of the Rio Conference. The debate was lively and contained a number of vigorously pro-ally speeches by Radical and Socialist deputies. There is, however, no reason to suppose that this spirited display has brought Argentina appreciably nearer to war. The hard fact remains that the manipulation of elections has prevented Congress from reflecting the public mind; that the Senate, where President Castillo has a considerable majority, can override the Chamber; and that Congress does not come out of recess before May 1, 1943. In the interim, the President rules by decree, a formula which, in view of the state of siege declared last December and not yet ended, implies that there may be even more complete authoritarian control of the destinies of Argentina than during a normal summer recess. It is impossible to see how Argentina, despite the very strong and almost certainly swelling popular support for the Allied cause, could take the decision to enter the war while the constitution is worked as it is at present. President Castillo probably exercises more absolute control to-day over the destiny of his country than at any time since he succeeded Dr Ortiz in 1940. He is a determined neutral, and there is no doubt that he means to see his policy through.

The Statute of Westminster

Another quarrel is brewing in Australian politics, this time over the Government's decision to ratify the operative part of the Statute of Westminster. This curious Act of 1931, which provided that thenceforward no Act of the Imperial Parliament should extend to a Dominion unless it was expressly stated in the Act that the Dominion wanted it or agreed, was itself passed after the Dominions had "severally requested and consented" to its submission to the Imperial Parliament. But the Statute also provides that sections two to six, the operative sections, should not extend to a Dominion unless they were adopted by the Parliament of that Dominion. So far they have not been ratified in Australia, New Zealand and Newfoundland, which means that the Colonial Laws Validity Act of 1865 remains in force in respect to them and consequently any laws they may make may be void if they conflict with Acts of the Imperial Parliament which purport to extend to them. The fact that the two Pacific Dominions have not hitherto ratified the Statute shows how legalistic the whole affair is, because at the Imperial Conference of 1926 it was declared that in practice "legislation by the Parliament at Westminster applying to a Dominion would only be passed with the consent of the Dominion concerned." Nevertheless, Dr Evatt, in asking leave to introduce a ratification Bill into the Commonwealth Parliament, stated that he had been

informed that practical drafting and administrative difficulties have arisen, especially during the war, which would be greatly eased by the adoption of sections two to six of the Statute. The Opposition argues that ratification now would be misinterpreted abroad as a sign of Empire disunity. It may be doubted whether even Goebbels would bother to reap propaganda from the actual formal ratification of such an academic measure.

Disagreement in New Zealand

After about three months, the strange compromise between Government and Opposition in New Zealand seems to have broken down. New Zealand's solution of the problem of how to give the party in opposition a greater participation in the conduct of the war, without endangering the domestic programme of the party in power, was to form, first, a War Cabinet, and, last July, a War Administration, responsible respectively for war policy and the administration of that policy, and composed of members of both the Labour party and the National party. The domestic Cabinet, which is restricted to domestic affairs, has only Labour members. Last week, however, the National party decided to withdraw its six representatives from the War Administration and the War Cabinet, because of the Government's handling of a coal strike at Waikato. The strike was a serious one, and would have had grave consequences if it had been allowed to continue. The Government decided to take control of the mines for the duration, at the same time safeguarding the companies' and shareholders' interests, and about 180 miners were sentenced to one month's imprisonment. The miners then decided to resume work, whereupon the sentences were suspended. The National party caucus apparently disapproved of this leniency, although it is difficult to see why it should have expressed its disapproval so forcibly, since the handling of the coal strike was presumably carried out by the domestic Cabinet, for whose policy the National party has no responsibility. Evidence that it may have behaved too drastically is provided by the decision of two of its members, Mr. J. G. Coates, Minister of Armed Forces, and Mr. A. Hamilton, Associate Minister of Supply and Munitions, to rejoin the War Cabinet at the request of Mr Peter Fraser, the Prime Minister—though not as National party representatives. In any case, the split in coalition shows quite clearly that there can be no division in total war between domestic and war affairs.

Conservatives at Loggerheads

The Conservatives' venture into the field of reconstruction has not so far been a success. The party conference last week was mainly devoted to the two reports of the sub-committee on education, and the second, containing "A Plan for Youth," which was drafted, oddly enough, by Mr W. F. Oakeshott, High Master of St. Paul's School, was attacked from all sides. One speaker said that the proposed Federation of Youth would be a counterpart of the youth; another that the report was a slander on adequate; and another that the report was "typical of the servative Party." But though the Conservatives thus denounced their own sub-committee, they gave no indication of the sort of educational system they do want in this state of the Conservative mind that the party's official sub-committee could produce a report which has proved to be so completely unacceptable to the party itself.

Bankers as Monopolists

The charge that a banking monopoly must be counted among the ills that afflict this country is discussed in a leading article on page 441. Eleven banks are members of the London clearing house; and there are a number of Scottish and Irish banks outside their special spheres of activity, together with a host of other more specialised banks and financial institutions. The question is whether the relations between these independent institutions are so close, and the rules for restricting competition so sternly drawn, that all the evidence the answer is, definitely, no. The main agreements are those observed by the London clearing banks.

By agreement, they now limit the amount which they are prepared to pay in interest on deposits. The "ceilings" are 1 per cent on ordinary deposits and 1 per cent on special deposits. The latter are deposits fixed for 15 days and over, and the agreement by which the rate paid for them was restricted to 1 per cent dates from July, 1939. It was sponsored by the Bank of England and was primarily intended to remove an impediment to the direct flow of national savings into Government loans. Since the beginning of the war, the fixing of bank deposit rates has in effect formed part of the Treasury's control over the financial position. A more important departure was made by the clearing banks at the beginning of the war. This was an undertaking not to engage in active competition for the business handled by other banks. The agreement was an armistice, rather than an alliance, and was largely due to the shortage of staff; it places no obstacle in the way of any bank customer transferring his business from one bank to another, and does not affect the competition for new business. To conjure up monopoly out of these restrictions on competition requires a somewhat active imagination.

Facts and Fallacies

Appropriately, the Cobden Club has published a paper by Mr Francis Hirst, who sets out to expound the basic principles of political economy which remain unchallenged against the sophisms which, he says, spread like weeds in a neglected garden during wartime. Uncompromisingly, Mr Hirst denies that to work for a money incentive is in any way reprehensible, whether the worker earns wages, salaries or profits; and in this, surely, Mr Hirst is right, just as he is when he says that the real value of wages or salaries or profits depends on what they will buy, in terms of goods and services, and not on their nominal amount. It is salutary, too, to be reminded that the prosperity of a state depends upon that of its individual citizens and that, in itself, planning is a word not a policy. Not infrequently, perhaps, Mr Hirst is much less than fair to the subjects of his criticism—mainly governments and modern economists—than they deserve. Mr Hirst once said that the trouble about young people was that there was a curtain between them and the economic wisdom of the past; occasionally, it appears that there is a curtain between Mr Hirst and the increment of wisdom which has come from more recent experience and thought. Nevertheless, it is stimulating to be told again, in this time of much emptier talk, that the job of governments, among others much more disputable, is to promote equality of opportunity and freer trade, and not to foster monopoly.

Mr Hirst attacks the "fallacious" view that because it is possible to spend so many millions a day on war, it is possible to spend the same amount when the war is over on reconstruction. The Chancellor of the Exchequer, rather out of the blue, made the same point not long ago. It is an argument which needs defining. In one sense, it is obviously true. It is possible to spend so many millions a day on the war now, because so many other things have been given up for the duration. Production for civilian markets has been correspondingly curtailed; the nation is on war rations of food and clothing; civil building is at a standstill; the process of maintaining and replacing capital equipment has been largely suspended; accumulated foreign assets are being run off. War economy is a state of curtailed consumption and disinvestment. After the war, presumably, the nation's resources will be primarily required to restore peacetime standards: to produce civilian goods, to manufacture for export, to build new houses and factories, and so on. The nation's resources, at any point of time, are limited, and a Government which attempted to spend as much in peacetime on public works as in wartime it does on war production could only do so, without inflationary consequences, if it adopted at the same time precisely the same measures of restriction and rationing which make wartime Government spending possible. On the other hand, the important thing to remember is that what determines a nation's ability to do this or that is not the amount of money at its disposal but the volume of physical resources, the labour, the plant, the material, and so on. It is this which will determine the scale and scope of reconstruction, and not financial considerations. The truth is that there is no hard and fast line between the normal economic activity of peacetime and reconstruction. Properly conceived, they are inseparable, which means that their costs in money or real terms need

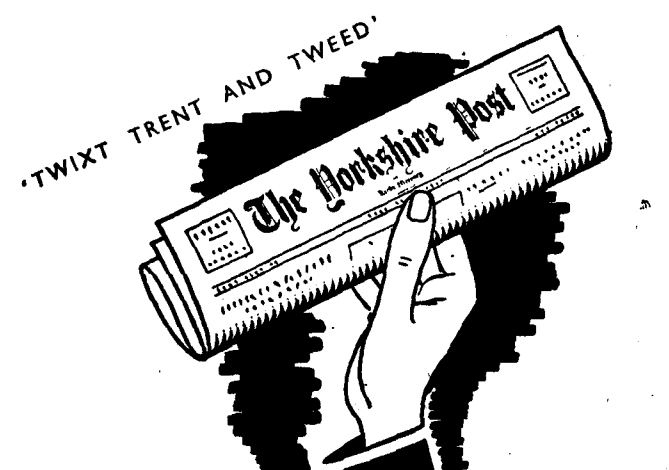
not be competitive—except for the fact that the coat must always be cut according to the cloth. Reconstruction, properly conceived, is merely a method of so guiding and stimulating normal economic activity that there is full and efficient employment for all the physical resources available.

Shorter Notes

The Australian advance in New Guinea has dislodged the Japanese forces from their threatening position above Port Moresby. The Japanese have steadily retreated ahead of the Australians and mainly out of range of field artillery. There has been no attempt to fight a rearguard action, and, after the initial phase, the Japanese have retreated much faster than the Australians have advanced. The Allied forces are now within 15 miles of the summit of the Owen Stanley Range, and, at a height of some 4,600 ft., their progress is becoming increasingly slow. The explanation of the Japanese withdrawal is no doubt a decision to make no stand south of the summit, for the relative advantage of the Australians decreases with their advance, as their supply lines lengthen.

Three new French Canadian Ministers have been appointed by Mr Mackenzie King to the Dominion's Cabinet in fulfilment of his pledge to restore the normal representation of Quebec in the Canadian Government. Major-General L. R. Laflèche becomes Minister of National War Services in the place of Mr J. T. Thorson, KC; Mr Ernest Bertrand becomes Minister of Fisheries in the place of Mr J. E. Michaud, KC, who has been appointed Minister of Transport after the resignation of Mr Cardin; and Mr Alphonse Fournier has been appointed Minister of Public Works.

According to the Ministry of Health's report for 1941-42, there were 331,000 schoolchildren and 275,000 mothers and children billeted in reception areas at the end of March, 1942, compared with a total for both classes of 872,000 at the end of September, 1941, and over a million at the end of February, 1941.



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AMERICAN SURVEY

Stabilisation of Incomes

NO time has been lost in implementing the Anti-Inflation Bill which was passed late last week by Congress and received the President's signature immediately after. The Act directs the President to issue, before November 1st, a stabilisation order fixing wages, salaries and prices at the levels existing on September 15th. The steps already taken by Mr Roosevelt include the appointment of Mr Justice Byrnes, of the US Supreme Court, as Director of Economic Stabilisation, with complete responsibility for carrying out the provisions of the Act; the fixing of temporary price ceilings by Mr Henderson for food prices not covered by the original Price Control Law; a new rent order; and a directive to the War Labour Board freezing wages at the level of September 15th, except for corrections of inequalities or sub-standard wages, to be approved by the Board.

The post to be filled by Mr Byrnes approximates to the idea of an Economic High Command, which was so freely prophesied on all sides before the President's message to Congress in September. Mr Byrnes will formulate and administer nation-wide controls over rents, prices, wages, profits and subsidies, in order to stabilise the cost of living. He is to be assisted by an advisory board, made up of the heads of the agencies or departments most closely concerned. It will include Mr Morgenthau, the Secretary of the Treasury; Miss Perkins, Secretary of Labour; Mr Henderson, the Price Administrator; Mr Davis, of the War Labour Board; Mr Wickard, the Secretary of Agriculture; Mr Jesse Jones, Secretary of Commerce; Mr Eccles, chairman of the Federal Reserve Board; Mr Smith, Director of the Budget; and representatives of labour, management, and the farmers. Subject to the President's approval, however, Mr Byrnes' authority will be complete, and his decisions will be carried out by the Department of Agriculture, the Office of Price Administration and the War Labour Board. The good will any man would have enjoyed on undertaking this immense responsibility will be enhanced by the excellence of Mr Byrnes' relations with Congress, particularly with the Senate, where, as Senator from Tennessee, he proved himself a loyal and skilful supporter of the New Deal. It is further proof of Mr Roosevelt's political acumen that he has chosen for this delicate and highly political post a man popular with Congress and a Southern New Dealer. Mr Byrnes was appointed to the Supreme Court about a year ago; but it has been no secret that he did not feel entirely at home in the rarefied atmosphere of that august body.

Farm Compromise

The Anti-Inflation Bill reached Mr Roosevelt's desk without the farm bloc amendment, providing for a revision of the method by which parity is calculated, which had threatened to wreck the Administration plans for stabilisation. Instead, at the last moment, the Senate adopted and the House accepted a compromise, which directs the President to raise farm price ceilings when they do not reflect increases in labour and other costs which have taken place since January 1st, 1941. This is a somewhat amended version of the Administration formula, which promises to take into account increases in labour costs in fixing farm price ceilings. It bears a striking resemblance to the War Labour Board's "little steel" formula governing wage increases, which permitted them only to compensate for increases in the cost of living since January 1st, 1941.

Whether this is a genuine victory over the farm bloc or largely a face-saving compromise is hard to determine. If farm price ceilings are raised to compensate fully for higher labour costs, which have risen substantially, the farm bloc will have achieved its purpose after all. Much will depend on the interpretation and administration of the provisions of the Act. Mr Henderson's views are well known, and it is hopeful that Mr Wickard, to whom Congress last January entrusted the defence of farm

interests, recently declared himself converted to the idea of parity prices rather than the 110 per cent of parity which for so long has embodied the ambitions of the farm bloc. Mr Wickard has now been directed to keep farm prices down to the level of September 15th as far as possible.

The weekend order fixing emergency ceilings on food prices hitherto exempt brings about 90 per cent of the nation's food under control at recently prevailing prices. Many of these have risen sharply during the past few weeks. These ceilings are to last for 60 days. Permanent ceilings will be imposed later, after an investigation to determine whether present levels are justified. Most of the products now controlled are seasonal goods on which it was not felt practicable to impose ceilings earlier. A new rent order has also been issued by the Price Administrator, requesting landlords who have raised rents to reduce them to the levels of March 1st. Evasion of the rent restrictions already in force has been widespread, and regulations are now being drafted to put teeth into the law and prevent evictions through the sale of property.

Flexibility

The wage policy laid down in the Anti-Inflation Act and the President's directive to the War Labour Board provides that increases above the level of September 15th are forbidden, except by specific action of the Board, designed to adjust inequalities, raise sub-standard wages or to aid the prosecution of the war. Apparently this will bring to an end the voluntary wage increases which have been a most potent source of inflation purchasing power and of manpower "pirating" by employers. It greatly strengthens the position of the Board, whose decisions now cover the entire wage structure, instead of only the limited number of cases brought to it for settlement. It is also provided in the Act that wages and prices may not be decreased below the levels of September 15th—but this is hardly a live issue. The salary provisions perhaps sound more drastic than they are, and will have less effect in the war against inflation. Salaries of men and women receiving more than \$5,000 a year are not to be raised unless the recipient does more work or undertakes more responsibility; and no salary is to be authorised above \$25,000 a year after deductions for taxes, life insurance and other fixed obligations. There seem to be no restrictions on salary increases to those earning less than \$5,000 a year, who receive the bulk of all salary payments, or on income from investments or professional services.

To speak of "freezing" of either wages or prices under the new orders is hardly accurate. The law itself and the directives which have been issued under it, all provide opportunities for the utmost flexibility and discretion in operation. In the case of farm prices, flexibility—in an upward direction—is mandatory, and the power of the War Labour Board to increase sub-standard wages, subject to Mr Byrnes approval, is not impaired. In itself, this flexibility is desirable. Without a certain degree of elasticity in prices and wages, and the power to increase them where necessary, production would suffer. Whether the provisions will be abused depends upon the firmness with which they are administered and the co-operation that can be elicited from labour and the farmers. On his return to Washington, President Roosevelt announced that he had found the country more prepared for sacrifices than Washington or Mr Green and Mr Murray have pledged their loyal support to the anti-inflation programme. Now that a framework for stabilisation has been set up, and responsibility is centred on one man rather than on a variety of agencies, the prospects of averting a runaway inflation are improved.

The end of the process of "complementary provocation" between farm and labour incomes may be in sight. What has not yet been dealt with is the fact that the current rate of income payments already greatly exceeds the

supply of goods for civilian use, at current prices, and all indications point to a very much more drastic decline still in civilian production, now that the control over raw materials is being tightened up. The Secretary of the Treasury has already spoken of new tax proposals to be sent to Congress as soon as the present Tax Bill is passed. Mr Morgenthau mentioned a figure of "\$6,000 millions or perhaps much more." This is proof that the Administration is not content with what has been accomplished, and is thoroughly aware of the urgent need of siphoning off a larger proportion of the purchasing power already in existence. Support for a programme of forced savings has also been growing, and further rationing measures appear imminent. If the President and his supporters are as firm over this part of the anti-inflation programme as they have been over the stabilisation of incomes, a great deal will have been accomplished to ward off the worst dangers. The reaction of the people to the Stabilisation Bill is proof that they are ready for more drastic measures, and this assurance should strengthen the President's hand.

American Notes

FDR's Travels

Mr Roosevelt's "secret" 8,000 mile tour, in the course of which he was able to see for himself the progress of war production and judge the temper of the American people, has provoked an ill-natured, if short-lived, outburst of criticism. On the one hand are the critics of the press and radio, who were forced to agree to make no mention of the trip, and who were exasperated because only the representatives of three news agencies accompanied the President. On the other hand are those who, far from having wished for more publicity for the tour, are outraged at the President taking what they consider an unfair political advantage so near to the elections. This feeling was further exacerbated by the President's strictures on certain newspapers and radio commentators, on Congress and even on some minor officials, and his statement that the country was far ahead of Washington in its determination to win the war. Mr Roosevelt's inspection carried him to a Kaiser launching on the Pacific coast, to Willow Run, to Army and Navy bases, training centres, supply depots, and embarkation points, and to war factories of every description. His satisfaction with war production and with morale was evident. Production, he said, was likely to reach 94 or 95 per cent of the goals set for the year; women were proving their expertness in war factories; the spirit of the people, particularly of the farming community, was all that could be desired. The secrecy which surrounded Mr Roosevelt's tour was dictated primarily by security motives, but it may also have been argued that too much publicity would arouse antagonism on the score of turning the inspection into a campaign swing round the country. Every effort was taken to make the tour non-partisan and political contacts were kept to a minimum. It was unavoidable, of course, that the trip would provide an opportunity for Mr Roosevelt to reply to some of the criticism which has been directed at the management of war production, and for him to associate himself more directly with the country's war effort. It was a sound political stroke for him to identify himself with the dislike of "Washington" and its hesitations and manoeuvres. It is this which has aroused such bitter resentment in a few quarters. But it is highly doubtful whether the majority of Americans have much sympathy for the idea that the President should be a virtual prisoner in Washington.

The Harvest

Speaking at a Mississippi harvest thanksgiving, Mr Wickard, the Secretary of Agriculture, has given some encouraging news about the success of the 1942 "Food for Victory" campaign and the determination of the United States to increase its shipments of food under Lend-Lease. This year there is "more of nearly every product than our arms have ever produced"—twice last year's soya bean and peanut crops, a greater cotton yield, 70 million dozen more eggs than in 1941, nearly 1,000 million pounds more milk, 500 million more bushels of corn than ever before. There are more hogs, more dairy and beef cattle, and more poultry on the farm than ever before. If Mr Wickard has been correctly reported, the success has not been equal in all directions. The increase in milk production is only about half that laid down in January as the goal, and production has been less than had been hoped; these are the

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FROM THE WAR FRONTS

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results of the draining away of skilled farm labour by the draft, by volunteering and by the attractions of higher wages, particularly in New England and the Pacific States, where there has been a substantial decline in the numbers of farm labourers. The production of machinery has been cut, and farmers have had to exact more labour from their families, to accept unskilled labour—a particularly heavy blow in dairy farming—and to resort to pooling of machinery. Even so, in California, beet fields have had to be ploughed under for want of pickers; 4 million pounds of sugar are said to have been lost daily. In Arizona, half the canteloupe crop spoiled in the fields, and 10,000 acres of alfalfa went to seed uncut. Mr Wickard pointed out that, in the year ended August 1st, 600,000 million pounds of food had been shipped abroad under Lend-Lease, and promised that shipments would increase even further:

We are thankful for our opportunity to feed both the men of the United Nations who are fighting our battles and the men and women behind the lines who are backing the fighting men. Other needs for food are increasing, too. Our Army and Navy are growing steadily. We need more food for the people at home. They are working harder and longer than ever before. Also we must increase our reserves of food.

Mr Wickard is not complacent about the prospects of future harvests. He warned:

A single year could change our food position from abundance to scarcity. We must concentrate all our future efforts on production, processing, and distribution of foods that are absolutely necessary.

Even the abundance of the present harvest will not assure the maintenance of pre-war American food standards if supplies to the United Nations and the American Forces are to be maintained. Already American civilians have been warned that their food habits must change; there will be less meat, fewer eggs, less cheese; and there will have to be more use of pulses and starchy foods.

The Quality of Planes

The quality of American aircraft has been the subject of long and acrimonious public discussion during the past month, and it has been under investigation both by committees of the House and of the Senate. A dispatch from William Stoneman, correspondent of the *Chicago Daily News* in London, is typical of the complaints that have been made:

It is one of the ironies of the war that American pilots are flying British Spitfires because American planes were not good enough for the job. It is gratifying that those who command our men understood the situation and discarded false pride in American fighters.

The House military sub-committee has now submitted its report; it finds that American aircraft are "more than a match for any that have been pitted against them," and cites figures showing that, from February 1st to September 20th, American pilots on all fronts brought down 279 planes, while losing only 114 to enemy pilots. Figures for the month ended September 4th showed an even more favourable balance. This report is not necessarily the final verdict. It does not allow for the varying conditions in which American and enemy pilots fought or for the possible superiority of American pilots. Senator Truman said on September 15th:

Scarcely a week goes by without some prominent flier returning to this country and asking why we cannot give our boys better pursuit planes. . . . Our boys have proved their superiority in inferior planes. . . . The army should concentrate on the production of its best planes.

One of the most vociferous critics, both of American fighters and bombers, has been Major Alexander de Seversky, who has had some sharp clashes with other experts over his characterisation of American fighters as "dismally backward" and his complaint that American Flying Fortresses and Liberators were less well suited than British bombers for night operations over Germany. Major de Seversky complains that American designers

were forced by limited military minds to design planes for a 3-mile ceiling when other nations were building them for 5-mile ceilings. We were told not to use more than two guns and prevented from putting on adequate armour.

He goes on:

I fear that we shall continue to be also-rans in the race for aviation leadership until we bring tough realism to bear. We must recognise past errors and present shortcomings and stop this dangerous business of face-saving for firms and individuals.

American aircraft have not been without their defenders.

Mr E. V. Rickenbacker has stated that the United States is superior both in production and design, and Lieut-Gen. Henry Arnold, who has warmly praised all American types, has been called to testify before Senator Truman's Committee. Senator Truman's report will be received with interest. He has proved himself a relentless seeker after the facts on all aspects of the war effort.

Kaiser's Cargoes

Henry Kaiser has now received a contract for three experimental seven-engined flying boats, each of 60-tons capacity, to cost in all about \$18 millions. The planes will be built at the plant of Howard Hughes, the flyer and designer, who has joined up with Kaiser to create what *Time* calls "the fabulous team." The present contract is hardly what Mr Kaiser had hoped for, and many Americans will share his disappointment. His breath-taking proposal was to go into mass production of flying freighters at once, without waiting for samples or experiments. He was convinced that he could obtain the materials without interfering with the production of military aircraft, by means of sub-contracting and the substitution of materials; and the newspapers have backed him enthusiastically. Mr Kaiser was so convinced of the soundness of his scheme that he apparently used every publicity device to build up support for cargo planes, but the idea hardly needed a press-agent to commend itself to the American people. As was to be expected, the War Production Board and the Services have been harder to convince. Other experts have estimated that it would take two or three years to put cargo planes into mass production; they have questioned whether Mr Kaiser had the "know-how." A WPB committee of aircraft men is said to have been disappointed to find that Kaiser had no engineers seriously at work on the problems involved, and that, instead of converting shipyards, he now advocates the construction of a Government-built plant for the purpose. Another facet of the case has been the injunction brought against a Kaiser company for evading the price control provisions by buying steel in less-than-carload lots, the method of obtaining "black market" steel made famous in the Higgins testimony. The reluctance of the War Production Board to give Mr Kaiser *carte blanche* at a time when it is desperately trying to economise on the use of scarce materials and to establish its control over their distribution, is more than understandable. But the newspapers have conveyed the impression that Mr Kaiser was being given the runaround, and that timidity and undue conservatism in Washington, particularly on the part of the Services, were all that stood in his way.

Shorter Notes

Senator Johnson has announced that a high official of the War Production Board has informed him that the board has decided to close all gold mines immediately. This is not equivalent to an official announcement, but appears likely to be true. For several months discussions have been proceeding as to the best way of providing more miners for essential metals like copper, and the most promising solution advanced has been the transfer of gold miners to more essential work.

New appointments to WPB include that of Ferdinand Eberstadt as vice-chairman, in charge of planning the flow of materials, and that of H. G. Batcheller as head of the iron and steel branch. The new vice-chairman's position will be parallel to that of Mr Charles Wilson, recently appointed vice-chairman in charge of production. Mr Eberstadt for the past year has been chairman of the Army-Navy Munitions Board, and has close relations with the Services; it is thought that his appointment to WPB will increase co-operation between civilian and military controls.

With its issue of October 5th, the *Financial News* published an informative supplement on the various aspects of America's industrial mobilisation. Its scope is wide. There are articles dealing with the physical problem of the change-over from a peace to a war economy, as well as with its financial and social aspect. America's immense reserve of productive capacity is brought out strikingly, as well as the difficulties in the way of achieving maximum output. Of particular interest at this moment is an article on the measures taken to stem the tide of inflation.

THE WORLD OVERSEAS

Frustration in India

(From a Calcutta Correspondent)

August 31st (delayed)

THE political weather in India deteriorated at a breathtaking pace in August. The principal events of the month were the meeting of the All-India Congress Committee and the adoption of the Working Committee's resolution. The resolution introduced nothing new: the uncompromising tone was already foreshadowed in the previous Allahabad resolution of the Working Committee and in Mr Gandhi's articles introducing the slogan "Quit India," matured from the earlier plea for a peaceful withdrawal. Government action was taken immediately. On the day following the adoption of the resolution entrusting the inauguration of the non-violent struggle to Mr Gandhi's hands, the principal leaders were arrested. In the next two days, the Congress Committee and organisations were declared illegal.

It is impossible to appreciate the point of view of the Indian nationalist without an understanding of his psychological background. Political India appears to have no confidence in the good faith of British professions. The country, the Indian nationalist says, was not consulted before declaration of war and was "dragged" into it. In the face of Irish and Egyptian neutrality and the debates in South Africa on the merits of supporting Britain, the attempt to explain away this omission only made it more unconvincing to him. When Britain went to war with Germany for the independence of Poland, nationalist India felt that charity might well have begun at home, and asked for a clarification of war aims. None was forthcoming. If Mr Churchill could offer France a union of the two countries, how about Britain and India, historically bound together by many ties for well nigh two centuries? There was unbounded sympathy for the victims of Axis aggression and a desire to help by strengthening the defence resources and war efforts of the country. The demand for more recruitment was met with a cold douche by the perpetuation of those interests, who near the end of the first year of the war fixed 100,000 as the utmost limit of army establishment it could ever be asked to equip, and considered nine aeroplanes with Indian pilots in the air an ambitious undertaking. The proposals to undertake shipbuilding and the manufacture of aeroplanes and automobiles were pooh-poohed, despite the concern of the Eastern Group Supply Council. Again, the Atlantic Charter promised political and economic freedom to the peoples of the world, and the hope of political India that here at least was a promise of deliverance was dashed to the ground by Mr Churchill's announcement that it

applied only to the victims of the Axis aggression, and that India was a domestic matter.

The stalemate in good humour—the Congress and Moslem League not participating in the war effort and the Government tolerating their criticisms—could only last so long as the war was being fought far away from India's frontiers. Pearl Harbour and the catastrophic sequel profoundly altered India's conception of the war and its attitude toward it. The sudden collapse of India's bastions of defence—Singapore, Malaya and Burma—and the loss, even temporarily, of the control of the Bay of Bengal exposed the coast line of the sub-Continent and the eastern land frontier to enemy attack. The fate of Malaya and Burma, the terrible stories of the mass evacuation from these places, with heavy loss of life and property, were too shocking to a generation which had grown up with the idea that *Pax Britannica* could not cease to be. The growing fear that what overtook Burma might yet come to India was too overwhelming to the political leaders for them to stand aloof as disinterested spectators. The speeches of Pandit Nehru, after his release last year until April, reflected a new sense of responsibility and an ardent desire to galvanise the nation's resistance to any threat to its security. The views of Mr C. Rajagopalachari, another leading Congressman in the Brains Trust of Mr Gandhi, whose sense of the impending peril was too keen to repudiate co-operation with Britain, have survived the "disillusionment" of the Cripps Mission and even his membership of Congress.

The Cripps Mission

The Cripps Mission rightly attempted to canalise these ideas towards the furtherance of the war effort of India in collaboration with the United Nations. The understanding tone of the Parliamentary debates; the considerate restraint of Mr Churchill's own statement; the antecedents of Sir Stafford Cripps himself, and his previous utterances in sympathy with extreme Indian nationalists—even just before joining the Cabinet; the air of mystery surrounding the proposals themselves; and not least the American interest in a satisfactory solution of the Indian problem—all these helped to arouse considerable expectations. The proposals missed the bull's eye because they did not allow for the fundamental factor which had profoundly affected the Congress attitude. The proposals related to post-war readjustments. It was the immediate problems which obsessed the leaders. The interim regime was to be the Vice-

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roy's affair, presumably modelled on the August proposals of 1940. To Congress, this seemed to be a mouse for a mountainous labour. That it was not alone in considering the proposals inadequate to meet the situation here and now is clear from the position of the other parties, which amounted to the same thing.

It may be questioned whether Congress, which has been the most vocal, represents India at all. But the Moslem League, which claims to speak for a hundred million Moslems, has acted, surprisingly enough, not differently from Congress. After the Congress members had walked out of the Assembly because war aims were not clarified, the Moslem League members did the same, though for different reasons, because of the attitude of the Government concerning Moslem appointments on the railways. The policy of non-embarrassment precluded Congress from participating in the war effort; the Moslem League held aloof on other grounds. Again, Congress found the Cripps proposals inadequate; the League feared that Pakistan was not guaranteed and found the provisions against "Hindu domination" insufficient. The reasons offered may be anything; the result is precisely the same. No other party has come forward and acted differently from Congress. The Working Committee of the Moslem League insists on a British guarantee for the status of Moslems now and for the future. The guarantee carries with it obligations and consequently responsibilities, from which the League would not relieve Great Britain. With remarkable astuteness the ex-Congress President, Mr Jinnah, has capitalised a slogan, constructed a party and contrived its solidarity by remaining in opposition. None of the predominantly Moslem provinces has gone over to the League in the sense in which seven provinces were controlled by the Congress High Command. Punjab is Unionist; the North-West Frontier Province, Congress; Sind, Coalitionist; Bengal, after its memorable League Ministry, Coalitionist; and Assam, once Congress, later and now again Coalitionist. Pakistan may be a rallying cry for dissidents, but it has not taken the League towards political power.

In the absence of the positive co-operation of the principal parties, the present regime has done its best to broaden the base of its representative character, but without any clearly visualised objectives, policy or decisiveness. The present Indian Members, it is true, have a good record of public service before the recent past, but their hold on the country and appeal to the people are circumscribed. With probably one or two exceptions, they do not talk the language of the man-in-the-street.

The other features in the Indian situation also do not make for a cheerful picture. The Legislatures of the major provinces, excepting two, have not met for three years, and the administration of these Provinces is now in the hands of their Governors and their advisers. The Central Legislature, of course, meets; but, without the presence of the two important parties, Congress and the Moslem League, constituting the largest membership, its proceedings have become unreal and stale. The remaining members, official and non-official, look bored and overworked. Members returned seven years ago are likely to be out of tune with their constituencies.

Position of the Princes

Indian India—the numerous States, the major few and the minor multitude—is not a passive spectator. Its co-operation in the present war effort is indeed substantial. The States are conscious of the implications of constitutional changes in British India and expect to have their future political interests properly safeguarded. The attitude adopted by Congress towards the States has not been friendly, and the Princes have grown apprehensive of the integrity of their States and their future status. The administration of some of the States, it is true, leaves very much to be desired; but there are others which compare very favourably with any Province in India. The extremist Congressmen of an earlier generation contrasted, with telling effect, the better economic conditions in the States with the general backwardness in British India. Now, the boot, according to Congress diagnosis, is on the other leg. The Princes are, therefore, as much the target of Congress criticism as the British Government itself. Clearly, the administration of the States should be made far more democratic; nothing can be more unhelpful to the Princes than to consider the introduction of representative institutions as an invasion of their own hereditary rights.

As the Indian States stand outside the zone of present Indo-British differences, it is on British India that statesmen will have to concentrate to resolve the present impasse. The moment appears to be ripe for a supreme act of states-

manship. It will have to achieve the twin objectives of restarting the Provincial Governments now under the Governors and bringing a National Government at the centre into being. In framing a proper policy to induce these changes, it seems to be imperative that the Viceroy should have immunity from interference and complete responsibility. The relations between the Secretary of State for India and the Indian administration have come under fire in recent months. If the India Office does not pretend to control policy, its right to further existence is questionable. On the other hand, its potentiality for mischief in Indian politics has been deemed so great that even so sober a politician as Sir Tej Bahadur Sapru has said that "Mr Amery must go." The suspicions of political India can only be removed by a conduct of policy impeccable in integrity and aggressive in its appeal to the country's vital interests. The announcement in Parliament that His Majesty's Government do not propose insisting on the "economic safeguards" for British interests in India—a topic quite specifically written into the Government of India Act, 1935—would have had a reassuring effect, had it not been obscured by the drastic measures against Congress. Fear of present declarations being whittled down by convenient interpretation later could be provided against during the interim regime. If, on questions of defence, His Majesty's Government have obligations to the United Nations, the latter could also make a joint declaration which might help to ease the tension. Above all, it should not be forgotten, particularly in Britain, that India is keen on participating in the present struggle, and is feeling humiliated that it is not being allowed to do so with dignity. Any grant of responsibility for national defence is bound to be followed by an ever-increasing and frank dependence on British advice, assistance and co-operation. If the vicious circle of stalemate to stalemate is to be broken, the country must feel free to express its sympathies spontaneously and not in a manner prescribed or dictated from without. The principal with too much insistence. But when the national life of the sub-continent begins to pulsate with a new life, hope and vigour, the resources of 400 millions will, in a real sense, be at the back of the United Nations in their heroic struggle for the freedom of man.

Industrial Developments in Portugal

[FROM OUR LISBON CORRESPONDENT]

September 12th

DURING the past two years, industrial expansion was general and profitable. Textiles, smallware, glass, paper, hardware, including cheap cutlery, sold well here and overseas at prices showing good profits, which nevertheless did not press unduly on local consumers. Technical direction is often foreign, frequently Central European refugees, but the capital and labour are Portuguese, and such business, though each transaction is individually small, has in the aggregate been most beneficial to the country and its colonial markets.

Recently, plans of much greater scope have come to light, involving foreign capital and foreign direction. Permits have been given for the erection of three sulphate of ammonia plants, a tin-smelting and tinplate works and an installation for preparing dyestuffs.

With the exception of one of the chemical plants, which is an expansion of existing production by a Portuguese company of old standing, French and Belgian capital and direction, German-controlled, are behind all these schemes. They are indeed believed to have formed a part of the Greater Europe industrial plan worked out by Germany shortly before the fall of France; and in marketing the output, not only Portugal but also Brazil and parts of the North and West Africa were envisaged. Had the Axis won the war, these works might have been deemed profitable; as things are to-day, even if war continues for a couple of years, their prospects are nebulous, while an earlier cessation of hostilities would mean a dead loss, since tin-plate, chemical products, including artificial manure, and than local production could provide. Nor does this take into consideration the fact that the volume of trade within Portugal itself is too small to give national industries of this nature a profit commensurate with the capital necessary and the risks involved in its employment.

Difficulties on the Danube

[BY A CORRESPONDENT]

ON September 26th (page 390), an account was given of the food supplies of South-East Europe, in which it was stated that for the most part the 1942 harvests were below average. Another problem confronting the authorities is how to get control of what harvest there is—the "battle of deliveries." Even German sources admit a lack of "diligence in delivery" and the prevalence of private barter in the Danubian countries. To counteract this, new and extremely stringent regulations have been issued, particularly in Hungary. The quantities which producers are allowed to retain for consumption and as seed are laid down to the minutest detail.

How far these regulations can be enforced, particularly on the small holdings, is another question. In Roumania, for instance, neither the new regulations, nor the special premia offered for quick delivery, have brought forth any response, and the Government had to abandon the control of maize, making its disposal entirely free. This complete reversal in policy may succeed in bringing to the market some of the hoarded supplies, but it is bound to drive the price of maize, the staple food of the poorer sections of the population, up to fancy figures. As for wheat, which remains controlled, the official price has just been raised by 100 per cent after pressure from the producers. Such a rise in the basic commodities will bring down the whole price structure.

Probably Germany did not, in any case, expect to receive large deliveries of bread grains; last year, out of a medium harvest, only about one-quarter of the pre-war surpluses could be exported and not all of this went to Germany. What it has been more eager to obtain are oilseeds, feeding stuffs and maize. According to present indications, little if anything will be available for export in any of these

products. Indeed, it appears that Germany has become reconciled to not receiving the original quotas of agricultural products, though not without exacting promises for increased deliveries of livestock instead. But these, too, appear more than doubtful, not only because of the serious inroads already made in the existing livestock, but because of the competing claims from the armies of the satellite countries fighting on Germany's side. The weakness of the German position in obtaining supplies from Hungary, Roumania, Slovakia and Bulgaria lies in the fact that, since these countries are now Germany's military allies, the nutritional needs of their armies, which are relatively much higher than those of the civilian population, cannot be disregarded, and some attention must be paid even to their home morale.

The Strength of Weakness

This results in the somewhat paradoxical situation that the weaker the internal position of the satellite Governments grows as a combined effect of the war and the food situation, the stronger their position becomes in face of German pressure. A firmer stand has already been shown when demands for additional military contingents were met only in part; and, more recently, in one or two countries but thinly disguised measures were taken against further German capital penetration and underhand purchases of foodstuffs by German agents. Anti-German feeling may even be used as an argument for staving off German claims.

Meanwhile, the tension between Roumania and Hungary over the Vienna award is daily growing in intensity. Roumanian revisionism is now adopted by the Government as official policy; and Hungarian official reserve on the question has also vanished in recent declarations. As matters stand to-day, it is only Germany that stands in the way of an armed clash, just as it is the hostility between them that enables Germany to press even its reduced demands, by playing off the two rivals against one another. The balance is most precarious, and a weakening of Germany's military strength or further internal strain may let loose the pent-up forces.

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German Europe

The Winter Programme

AT the beginning of the fourth winter of war, Germany's conquests are greater than a year ago. More fertile land and more mineral resources are at the disposal of Germany's European war economy. In the west of Europe and in Germany itself, however, the supply of foodstuffs, raw materials and manpower has fallen; the overall production of the south-eastern countries has also declined. If Germany could reduce fighting in the winter to small scale engagements, manpower might be freed to reconstruct some of the wrecked industries in occupied Russia. Concentration in Germany itself of the most important industries manufacturing for the war would then again increase the output of war material and of agricultural machinery for the occupied Russian provinces. The main problem would be organisation. Recent German propaganda has made these points clear. By collaboration and by compulsion, Germany will try to use continental Europe's economic resources for a prolonged war, not only in Europe, but also in Africa and on the high seas.

The question arises whether actual economic conditions on the continent, and particularly in Germany, make success in this plan probable. It is hardly likely that Germany can possibly succeed if forced to fight decisively large-scale military campaigns during the winter. A military stalemate is necessary. Moreover, some degree of political stability in occupied countries, if only stability enforced by police measures, is equally necessary. During the spring and summer of 1942, Germany's main economic preoccupation was the final concentration of industry for war purposes and the replacement of called-up Germans by foreign workers. Every single business report and all the general economic surveys point to the fact that war output during the first six months of this year was at least maintained. But raw material supplies, especially coal, steel and other metals, already showed unmistakable signs of being strained to the utmost. Industries catering for essential civilian requirements were forced to release workers for the war industries, and their output fell correspondingly; during the corresponding year in the last war, the quantity of civilian commodities available was incomparably greater than during 1942. At the same time, the general state of repair and replacements in all industries deteriorated considerably.

The fact that Germany could draw on the industrial capacity of the whole Continent made it possible to maintain actual war production. The exhaustion of German manpower and the wearing out of German industrial installations were averted by withdrawing material resources, foodstuffs and manpower from the occupied countries. During the coming winter, western and northern Europe will come very near to actual exhaustion; and it will become very difficult to transfer more workers to Germany. The east is therefore the main reservoir for supplying Germany with labour. In numbers, the occupied Russian provinces can supply sufficient workers; but each worker withdrawn from Russia diminishes the possibilities of reconstructing agriculture and industry in occupied Russia. At the same time, the concentration of foreign workers in Germany may soon reach saturation point for technical, as well as political, reasons. Only the profound shock and demoralisation resulting from a complete collapse of the Soviet Union would change these conditions.

Belief in Organisation.—Nazis believe profoundly that all economic problems can be solved by organisation; and, superficially, Germany's economic successes have been achieved by novel methods of organisation. Actually, the German war economy has been built up piecemeal on the basis of an old-established and highly developed economic system. The present reorganisation of war industry, which has been coupled with the name of Minister Speer, has not been completed, and will probably never be completed. What is happening is that the economic administration, the *Wehrmacht* and the so-called self-governing economic organisations, the former industrial federations, are competing for the control of industry. The Reich Control Boards are being dissolved into Reich Co-operatives, or taken over by industrial federations. A great number of the remaining Reich Con-

trol Boards have been concentrated. Minister Speer's Committees of Organisation are still not effective. The complete concentration of industry for war production has resulted in a mechanical indexing; factories are referred to by index numbers; raw materials are allocated by a system of cheques or points; and the latest invention is the "order permit," which means that manufacturers have to apply for a permit before taking an order. The system has lost its flexibility, and will become more rigid the more deficiencies grow. Rationalisation and standardisation have undoubtedly been successful. They have been carried to an almost unbelievable pitch in all sections of the war industries, as well as the civilian industries. Every day, German papers publish news of more reductions of the number of products and standards. Rationalisation has made possible the employment of large numbers of semi- and unskilled workers, and the process of reducing the number of skilled workers is still going on.

Collecting Stocks for the Winter.—A characteristic move in the preparation for winter was the collection of scrap iron during the summer months, which has now been extended to all non-ferrous metals. Inability to expand the output of coal, steel and non-ferrous metals was the cause; and the seasonal pressure on communications to transport the harvest in the autumn months prompted the timing of the campaign for the summer months. Everything points thus to very careful preparations designed to ensure the full working of industry during the winter.

Last winter, Germany's military position and entire economy were seriously threatened by transport difficulties. Technically, that is to say, in the maintenance of permanent ways, locomotives and rolling stocks, there has been hardly any improvement. But the transport of materials has been cut down to an absolute minimum by a system of transport regions; and the utilisation of existing material has been greatly improved. The problem can again be simply stated. This winter, the transport system will work if there is no large-scale fighting in the east.

The Continental System.—Germany has not succeeded in building up a system of European collaboration. At first some of the countries were quite willing to collaborate. But German economic organisation did not work in the occupied countries; and collaboration could obviously have been successful only if Germany had been able to replace the necessary minimum of raw materials formerly imported by the occupied countries from overseas. This was clearly beyond Germany's capacity. Collaboration soon became a one-sided affair, consisting mainly of exports to Germany.

The gradual change in industrial collaboration during the summer and autumn of last year became abrupt when Germany was forced to introduce complete concentration of Europe's manufacturing industries in Germany. Instead of placing orders in foreign countries, Germany demanded the labour forces in all European countries directly. It is no longer single workers that are being transferred to Germany, but whole groups are being moved, together with their managers and foremen. Germany's gain is clearly the loss of output in the occupied countries.

Another important obstacle to collaboration is the difference in the control of prices in Germany and in occupied countries. The German system of control is constantly endangered by violent price movements in the occupied and dependent countries; and the stabilisation of Continental prices has not succeeded. In some of the occupied countries, the Germans themselves laid the conditions for a classical inflation—and they are now confronted with the task of stopping it. The pre-war economic relations between European countries have been destroyed; but Germany has not been able to build up new relations to ensure stable international conditions. The more Germany is forced in the interest of the war machine to the exhaustion of the occupied countries grows. Gains of losses in the west; and the losses in manpower on the battlefields and by starvation in occupied countries cannot be replaced.

THE BUSINESS WORLD

The Future of Unit Trusts

THE unit trust movement has been in a state of enforced hibernation for sixteen months. In May, 1941, an amendment to No. 6 of the Defence (Finance) Regulations, bringing units and sub-units within the category of securities to whose issue Treasury consent was required, was followed, within a couple of days, by a Parliamentary answer by the Chancellor specifically stating that the trusts would not be able, without the Treasury's dispensation, to issue units and sub-units in excess of the number existing when the amended Regulation came into force. The new Order was criticised, at the time, on the ground that the loophole in the "closed" capital market, which the authorities were anxious to stop, was Lilliputian. Alternatively, it was argued that it was no loophole at all, because new units and sub-units were merely documents representing the counterpart of existing securities—including Government stocks. Be that as it may, the effect was to limit the wartime activities of the unit trust management groups to "unwinding" the pre-existing issues or to "marrying" buying and selling orders. The movement is, in fact, "ticking over" with all its mechanism intact.

Has the unit trust movement any useful, specialised part to play in the re-creative period in Britain's economic life when hostilities end? Are the organisation and methods of the movement, developed before the war, the best that could be devised for its task? It is evident that to the first question no confident answer can be given till much more is known of the lines which "reconstruction" is likely to take. What is clear is that the unit trust movement will have to base its post-war claim to recognition and status on something wider than "sales appeal." To some extent, the impartial Anderson Committee, in 1936, recognised the movement's claim when it declared that the unit trust seemed, if properly conducted, to offer to the small investor facilities which he did not previously enjoy for acquiring a particular type of investment. But this official "auditors' certificate" carried three important qualifications. By implication, it suggested that the conduct of the movement's affairs might, in certain circumstances, be open to criticism; it limited the movement's potential clientele to the small investor and its article of business to "a particular type of investment."

From the movement's viewpoint, the first of these qualifications—the conduct of its affairs—is undoubtedly of greater immediate moment than the second and third, its customers and its commodity. Up to the outbreak of war, the movement had not fully succeeded, either in laying down a completely satisfactory code of good professional conduct or in securing the adhesion of all its members to a completely representative and disciplinary body for enforcing its canons. It was still in the fiercely competitive stage of development, typified by attempts to cut prices at the expense of the quality of the merchandise. Happily, such attempts were becoming rarer. Some of the strongest groups had held aloof from them from the outset. But even a small minority of unscrupulous vendors can bring a market into disrepute. The movement might be well advised to use its present period of suspended activity as an opportunity to call its practitioners together, with a view to forming a new and really comprehensive association with a body of rules to which, on some future "appointed day," national sanction can be given. The appropriate procedure would be by way of legislative amendment of the provisions which, under the Prevention of Fraud (Investments) Act, are already on the statute book, but await official action before coming into force. It would seem to be essential that any such legislation should avoid all taint of monopoly. Membership of the all-embracing and all-powerful association would presumably be open to all comers of minimum financial status, but would be revocable immediately any one of the association's rules of conduct were broken.

With an organisation, the second and third of the Anderson Committee's reservations need not necessarily be a bar to the movement's claim to a useful function in the post-war scheme of things. Whether post-war industry is to be organised predominantly under private enterprise or, in part, under public control, and whether ownership of the means of production is to be mainly public or private, new capital for industry will have continually to be provided. And present tendencies emphasise rather than diminish the part which the small investor will need to play in providing it. The "type of security" in which the unit trust movement specialises is particularly well suited to the small investor's requirements, because it provides for a spreading of industrial risks, and for ready exchange either way—cash into securities or securities into cash. It is very far from apparent, however, that any great progress has been made with the problem of reducing the cost of sale and transfer on small sums.

The eight years between the establishment of the first British unit trust and the outbreak of war were probably too short a period for any final judgment on the value of the movement's permanent contribution to capital market technique. Almost all its principles had been pioneered earlier in one form or another. The investment trusts, since the '70's and '80's, had developed the spreading of risks in a marked way. But their stocks had never been readily available to the really small investor and, for reasons largely historical, their portfolios held a considerable proportion of foreign investments. The principle of re-encashment was characteristic of practically all agencies which had successfully appealed to small savers long before the unit trusts entered the field—co-operative societies, building societies, savings banks and the Government itself by way of the National Savings Certificate. The National Savings Committee in the last war had shown how vigorous and

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purposeful advertising campaign could create and maintain the investor's demand for a particular type of security. Clarence Hatry, of unhappy memory, had re-emphasised that conclusion in connection with Home Corporation stocks. The peculiar merit of the unit trust movement was that it fused all these elements in a particularly convenient and effective way. Its success in tapping resources not very far short of £100,000,000 showed that, though the price for providing the small investor with these facilities might be heavy—probably unduly heavy, for “loading charges” certainly represented no inconsiderable overhead—the small investor was willing to pay because they were precisely the facilities he wanted. The unit trusts proceeded to apply that lesson to the wares of the Stock Exchange as a whole and to risk-bearing capital—the equity share—in particular.

It would seem, therefore, that there will be a useful field after the war for the “particular type of investment” which the unit trust movement provided. Whether the movement itself should continue to be the agency for providing it is a question which turns partly on considerations of public

policy and partly, perhaps, on the extent to which the movement succeeds in living up to its best ideals. Its chief problem is, fundamentally, the same as faces many other sections of the community. How can it (in prevailing terminology) best reconcile the “profit motive” and the “service motive”? Stress on salesmanship initially led the movement into an attempt to popularise the “fixed” type of portfolio and later to appeal to the spurious concept of high yields. The latter tendency, particularly, was objectionable not because high yields in themselves were wrong—the purchase of high yielding stocks, which may be intrinsically sound but have failed to attract their due share of market attention, is merely a specialised branch of long-term investment—but because the effort to secure an additional 1 per cent led to adulteration of portfolios with assets of a wasting type.

All in all, there is a great deal the movement could do by way of setting its house in order, and it will be definitely disappointing if it fails to use the opportunity which present conditions provide for beginning the task.

Finance and Banking

Still More Currency

With the September making-up safely out of the way, and with the early-October Government distributions to add their small quota to the flow of credit entering the market, conditions have been exceptionally easy in the money market this week. The discount market obtained a 33 per cent allotment at last week's tender for Treasury bills, and has not been a particularly keen seller to the banks. In consequence of this and of the abundance of money, the banks' appetite for bills has not been altogether satisfied. The position in this respect should improve next week, when the market will have had £80,000,000 of Treasury bills to apply for. The syndicate's aggregate quota will be automatically adjusted to the higher total of bills on offer, and though the proportionate allotments may show little change, it may be assumed that the amount of Treasury bills to be canalised through the discount market will increase appreciably as long as the new figure of bills on offer remains effective. The abundance of credit this week is all the more striking in view of the heavy TDR payments which the banks have been called upon to make. New payments totalled £50,000,000, against which there were nominal maturities of £20,000,000. The Bank of England return reveals another factor which must have appreciably narrowed the volume of bank cash, namely, a further expansion of £5,213,000 in the note circulation. The increase in this item goes against all seasonal trends, and has again acquired exceptional vigour. One explanatory factor in the movement is the increase in the well-paid American army now garrisoned in this country. The further efflux of notes was, however, more than offset in its impact on the credit situation by an increase of £7,570,000 in the Bank's holding of Government securities. In addition, public deposits were allowed to run down by £4,494,000 to £5,769,000—the lowest point reached since October 15, 1913. The total of bankers' deposits was thus increased by £2,534,000 to a level of £138,244,000, which helps to explain the exceptional ease of credit during the week.

Increased Treasury Bill Offer

The total of Treasury bills available for tender has this week been increased from £75,000,000 to £80,000,000. Since the beginning of the war the weekly offerings of Treasury bills have risen from £50,000,000 to £80,000,000. They have done so in steps of £5,000,000 each, whose incidence has been largely divorced from what was known before the war as the normal seasonal variation in the Treasury bill issue. This rigidity of the tender Treasury bill issue has been possible because Treasury deposit receipts have now become the truly elastic element in the floating debt. Each increase in the weekly offering of Treasury bills has up to now been dictated by the need to protect the discount market and the banks, whose Treasury bill needs are satisfied through the market, from the competition of official bidding for bills at the weekly tenders. For a time, much of this official

bidding for bills came from central banks in the sterling area, but for over a year this particular demand for bills has in large measure been satisfied by issues of bills through the tap. In any case, there would appear to be little call for more lenient treatment of the discount market in view of the result of recent tenders, at which the market syndicate has obtained comparatively liberal allotments of bills. In addition, it is doubtful whether the official demand for Treasury bills at the weekly tender is still increasing. It is probable, therefore, that some other reason must be found for the decision to raise the offer of Treasury bills from £75,000,000 to £80,000,000. A possible explanation is that the bills to be tendered for in the next three months will be those maturing in the final quarter of the financial year, when heavy tax payments will be draining the banks' resources and when, therefore, they will be glad to hold a considerable volume of maturities. In the early months of this year, a veritable bill famine developed and the clearing banks' discounts fell to the abnormally low figure of £111,000,000 in February. The fact is that, in meeting a drain such as that occasioned by heavy tax payments, bills are a much more effective instrument of adjustment than TDRs, which can only be pre-encashed against subscriptions to new Government loans. It may well be, therefore, that the latest increase in the Treasury bill offering is merely intended to be temporary and to put into the hands of the banks a larger volume of January, February and March maturities against the heavy drain of cash to which they will be subjected in those months.

British Participation in the BIS

Parliament and the financial press have been resounding with a campaign whose object is to sever British participation in the Bank for International Settlements. The immediate occasion for the attack was the publication of the BIS report for 1941-42, a document which is not yet distributed in this country, but which appears to have received some favourable comment in the German press. To some, this fact alone is sufficient condemnation, both of the report and of the institution under whose authority it was published. The basis of attack has, however, broadened well beyond the mere fact of Axis approval of the latest report. It has been suggested that, since the Axis now controls a majority of the capital of the BIS, that institution can only be regarded as an agent of the enemy powers. Further, it has been suggested that any contact with the enemy, of shunning the contagion in this instance is to sever the British link with the BIS. Sir Kingsley Wood, who of Commons, had little difficulty in disposing of the critics. He pointed out that the President of the BIS is an American and that its conduct, which is guided by a strict policy of neutrality, is entirely in his hands. The latest report was prepared under his authority and without any collaboration with London or any of the belligerent

powers. No transactions have taken place since the war between the Bank of England and enemy central banks forming part of the BIS. The only British subjects on the staff at Basle are in subordinate positions and have nothing to do with the management or policy of the bank. On the other hand, this country has substantial interests and rights in the BIS under international trust agreements between the participating Governments, and it would not be in the national interest to sever the British connection with the bank and thus endanger these rights. Quite apart from these statements of fact, there is the promise which the BIS holds of providing after the war the germ of an international organisation which may yet fulfil the wider dreams of those who founded the bank. No danger is being incurred and no damage done by maintaining this structure alive, however little it may be called upon to accomplish for the rest of the war.

Enter the Cruzeiro

The Brazilian Government have staged their entry into war finances with a remarkable show of purposeful activity. In order to help the economic mobilisation an eight-day moratorium was decreed to begin on September 29th. Between then and Wednesday of this week, banks in Brazil were only open for cashing of cheques for wages and other urgent payments. By the time the banks were reopened details of the Government's financial plans had been issued. They involve an immediate issue of War Bonds to a total of about £37,500,000, an authorisation to increase the issue of paper currency, the setting up of a new monetary unit of account, the “cruzeiro,” and finally an announcement that the entire note issue is to be withdrawn at some as yet unspecified date and replaced by new notes—presumably expressed in terms of the new monetary unit. The cruzeiro is to be the equivalent of the milreis and will be divided into 100 centavos. Its creation had been foreshadowed by legislation passed before the revolution of 1930 but kept in cold storage ever since. The new system will avoid the inconveniences of having to divide an already modest unit of account into one thousand reis. The exchange value of the cruzeiro should equal that of the milreis, which is quoted at 84.63 to the £. The trend

of the monetary circulation in Brazil has been sharply upward since the war. It amounted to 8,002,248 contos of reis on July 31st last, against 4,787,500 contos on July 31st, 1939. The gold reserve over the same period has risen from 586,531 contos to 1,504,682 contos. The improvement in the gold and exchange reserve has been continuing, as was recently indicated by the addition of the free milreis to the list of specified currencies designated by British Defence (Finance) Regulations.

Rupee Coinage Order

Some measure of the rapidity with which the conversion of silver rupee coinage from the old fineness of 916/1,000 to the new 500/1,000 figure is proceeding has been provided by the order that all George V and VI standard silver rupees will cease to be legal tender from May 1, 1943. By then, it is hoped that the whole rupee coinage will consist of coins of the new fineness. The conversion has been a very considerable undertaking, but it may be assumed that the rapidity with which it is being effected is in part due to the disappearance of the higher fineness coins into small hoards. The big hoarder will naturally buy silver bars, since their price in India has not yet reached the coinage parity. But to small hoarders, the attraction of the full weight rupee coin must have proved considerable. The saving of silver to the Government resulting from the recoinage operation has thus been rather smaller than it would have been but for the disappearance of 916 coins from circulation. These coins have gone into hoards and have had to be replaced by new coins. The order removing legal tender attribute from the full weight coin may, however, induce a number of them to emerge from hoards before May 1st next. The decision to recoin was taken in 1940 and has been amply justified by events. At no time has the world price of silver approached the former rupee coinage parity, but the trend has undoubtedly been in that direction, and the recent move of the US Treasury in raising its price for imported metal has reinforced the wisdom of the Indian Government's precautionary move.

Investment

Speculative Buying

This week started well with a record number of bargains received of 6,440, an advance of 14 per cent above the highest achieved until then, namely, on the preceding Monday. Although Tuesday's total was lower at 6,136, it was even more striking, for it is less than 5 per cent lower than that of the previous day, whereas the experience of the past 15 weeks suggests a drop of almost 15 per cent between the first and second working days. Although virtually all equities, and possibly some industrial preference and debenture stocks, shared in the expansion in business, the principal cause of it was something approaching boom conditions in home railways, which showed signs of a “boil over” on Tuesday, but with scarcely any falling off in business. A more restricted expansion in business in oil shares, and mines, goes to support the view that interest in the markets is both widening and becoming more speculative. The eighty—or is it one hundred?—days given to Germany to achieve preparation for victory next year, are almost exhausted, and it is not impossible that some people are gambling on a definite turn for the better in the war news. If this is so, and if the buying of this sort spreads, it is far from improbable that the fundamentally strong undertone of the markets, based on the perpetual shortage of stock, will be changed to an underlying weakness. This would mean that bad news would cause a severe shakeout. Until quite recently, however, there has been no evidence that the buying was of this character, and at present the undertone is strong. More than one broker's circular of recent preparation has shown a slight preference for investment in equities, and has taken it for granted that there will be temporary peak in these before the conclusion of hostilities. This may be sound, but the recent rise has been rather indiscriminate. The equities which offer the best hope of a reasonably early increase in profit are those of companies required to work full time in war, but which can be converted readily to peacetime re-

quirements. Those which have hitherto been regarded as post-war recovery stocks have probably further sacrifices immediately ahead, and in some cases their adjustments may be such as to defer, for some time after the end of the war, return to normal production.

Sharp Fall in Yields

The full figures of *The Actuaries' Investment Index* make possible a rather more detailed stocktaking of last month's movements in the market. Although the amount of

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices				Average Yields		
	Sept. 30, 1941	Mar. 31, 1942	Aug. 25, 1942	Sept. 29, 1942	Sept. 30, 1941	Aug. 25, 1942	Sept. 29, 1942
2½% Consols	146.1	147.5	147.2	146.6	3.05	3.03	3.03
Home Corps. (4)	138.0	141.3	141.9	141.9	3.38	3.29	3.29
Ind. Debs., all classes (43)	112.9	117.3	117.7	117.8	4.21	4.08	4.08
Ind. Pref. Distrib. (22) .	74.4	80.6	81.2	82.7	5.37	5.15	5.03
“ all classes (101) . . .	98.2	103.5	104.2	105.1	4.75	4.55	4.50
Banks & Disc. Cos. (10)	99.4	105.0	106.6	108.2	4.56	4.26	4.19
Insurance Cos. (10) . . .	96.1	99.5	102.5	106.7	4.18	3.96	3.81
Aircraft Mfg. (5)	53.9	49.1	58.4	65.9	10.73	9.23	8.06
Elec. Light & Power (16)	105.8	108.5	107.1	106.0	4.48	4.39	4.44
Oil (4)	55.7	42.8	48.9	55.0	3.57	5.13	4.52
Total (Productive) (50) .	61.0	66.6	66.2	66.9	6.37	6.10	4.96
Home Rails (4)	38.5	43.1	47.6	57.6	7.16	7.59	6.75
Total (Miscellaneous) (40)	66.7	69.1	72.3	73.9	5.16	4.78	4.67
Industrials— (All Classes) (150) . . .	58.4	58.8	63.5	65.8	5.25	4.95	4.83

rise varies widely, every section shows improvement, except electric supply, which suffered a modest decline for the fourth month in succession. The reason for this is clearly

fuel rationing, coupled with the decreased margin between costs and charges. These shares were little affected by the blitz. Gas stocks, which suffered severely, are still recovering, but their index is 25 per cent below that for electric supply. The largest rises on the month are in home rails, aircraft, oils and insurance shares. The advance has, in general, been accompanied by a fall in yields, which brings the aggregate index down to 4.83, the lowest since mid-November, 1937, except for a momentary low of 4.81 in the middle of the following January. Meanwhile, the price index is at its highest since mid-March, 1939. If one goes back to November, 1937, the price index, for a rather different selection of shares, was 74.9. The only sections in the industrial lists to show rises compared with that date are electrical manufacturing and cotton—both very small—and shipping—up by over 25 per cent. Against these movements, price changes in the fixed interest sections on the month are very slight—except in the case of preferences of the distributive trades, presumably railways, they scarcely affect yields. If there is any trend, debentures have caught up on gilt-edged, and preference shares on both. All this fits into the picture of a swing from safety, as reflected in a steady yield, to hopes of capital appreciation, and, in due course, of higher dividends, dictated by the continued rise in all uncontrolled prices, of which the rise in equities is itself a part.

An Index of Activity

The new system of recording bargains has been in operation for some 3½ months, and supplies, day by day, a great deal of material about one aspect of stock market activity, namely, the actual number of transactions involved. It is true that the marking of bargains is not obligatory, but it is believed that the record covers some 90 per cent of the total, and, if that percentage is virtually constant and evenly distributed, the exclusion of 10 per cent may be of no great moment. For detailed study, the official figures are excellent, so far as they go, but for a general conspectus they are rather indigestible, and *The Financial News* is to be complimented on undertaking the task of reducing them to a more generalised form. This has been affected by producing a five-day moving average of four principal sections as well as the total. The four sections are the funds, all railways, including preference and debentures, industrials in general, and mines. These are probably as good a choice as is available, and they present a considerable diversity of movement over the short period so far covered by the new system. The choice of a five-day average means that the index is essentially devoted to showing daily movements in activity, corrected for the purely adventitious factors, that Monday usually reflects some week-end accumulation, and anticipation, which brings down the Tuesday total, while Friday tends to be swollen by closing operations. The index suffers, inevitably, from two weaknesses which are inherent in the manner of presenting the original figures. First, they give no indication of the volume of money turnover; and, secondly, they fail completely, in most sections, to effect any separation between business in fixed interest stocks and those in equities. Possibly, when labour is less scarce, these defects may be remedied. Meanwhile, the new method of giving reliable figures by sections is a great advance on the old, and the new indices of *The Financial News* constitute a convenient summary of movements which should be of great value to all students of the subject.

An Interesting Conversion

The offer of conversion which Leeds and Wakefield Breweries are making to holders of all three classes of debenture stock has a number of points of interest. So far as holders of 6 per cent and 4½ per cent stocks are concerned, the offer is straightforward. They are to be repaid at 101½, in the terms of the original issues, and may take an equal amount of the new stock. The original character of the offer lies in the attempt to convert the 4 per cent irredeemable stock into the new issue, and so to effect a consolidation of all debenture issues and permit the company to repay the whole, should the time come when that policy seems profitable. Further, it appears that the holders of irredeemable stock may surrender them for cash, but in this case the payment will be at par. Holders of irredeemable stock who convert will receive the premium of 1½ per cent. Further, the new stock is repayable at a premium of 2 per cent, and, so far as can be judged, there is no sacrifice

of cover or security in the conversion. A redeemable stock would offer more protection to capital than an irredeemable one, in the event of a rise in the rate of interest. From this point of view, however, the new issue is far from ideal. It has a maximum life of 47 years, and during 42 of them the borrower has the right to repay the issue, in whole or in part, at 102 per cent. Thus, if the rate of interest falls, he will certainly be repaid, and if it rises he will have to wait until 1989. For many investors, this very long option to the borrower will remove much of the attraction the security might otherwise possess.

Brick Trade Prospects

The accounts of Eastwoods for the year to March 31st show a fairly heavy fall in gross earnings, but all charges against them, and in particular provision for doubtful debts, are reduced, and the change in distributable profits is slight. Eastwoods, although not the largest, are probably representative of manufacturers in the Flettons side of the industry, and for this reason the comments of the chairman, Sir Horace Boot, member of the National Brick Advisory Council, will be read with increased interest. The outlook is clearly dependent almost entirely on Government work. The general impression is that the demand will be substantial, but Sir Horace knows of no clear indication of what is expected of the industry, and is in some doubt as to the adequacy of the labour force, even for wartime requirements. The industry has the benefit of the Essential Work Order, and the second report of the Simmonds Committee provides for a pool of labour from factories compulsorily closed, but this labour is filtering away into other industries. There exists a very substantial stock of bricks, and these will presumably suffice for a considerable period. It is, however, necessary to see to it that the experiences of coal and cotton are not repeated in building materials. It is far better, in cases where the accumulation of stocks is feasible, to retain the necessary labour to secure an adequate stock, rather than that the problem of bringing men back should arise. Sir Horace's chief criticism of the existing set-up appears to be that insufficient use is made of the Flettons side of the trade, which, he maintains, is economical in the use of both fuel and manpower. He has, however, no doubt that, when control passes, or is relaxed, the Flettons companies will be able to take up the first shock of increased demand. The balance sheet of the company suggests that, financially at any rate, it is well equipped for this purpose. Meanwhile, some of the factories have been diverted to other war work, and surface acreages are let as farming land at rents which prove a valuable source of revenue. There will also be some financial relief in a rise in prices, but there is no chance that overheads will fall much with declining production. The point is stressed that many of the arrangements have meant the waiving of sectional interests for the national good, but on any reading of the statement the outlook appears not unfavourable in any but the quite short run.

A Curious Offer

Early this week, a cable was received from New York, apparently from the president of the company, stating that a New York firm, in possession of a list of British holders in Oriental Consolidated Mining, would shortly make an offer to purchase all British holdings in the company. In July, 1939, an offer to purchase the Japanese properties of the company was made, and eventually accepted, and in November of that year the company was placed in voluntary liquidation. Under the liquidation, two dividends of \$5 and \$4 have been received, in December, 1939, and December, 1941, respectively. Information about the exact position is difficult to obtain on this side, but it is understood that a composition was reached with Japan, as to certain assets held in local currency, just before the entry of Japan into the war. The capital stock of \$10 is quoted here at 35s. per unit, so that a considerable value is evidently attached to the proceeds of the composition, mentioned above, and to any other remaining assets. Holders on this side will be most unwise to consider any offer until they have been fully informed about their expectations in the immediate future. This is a particularly complex example of the general principle that the proprietors of a business are entitled to full information as to their property, and that they are entitled to it in advance of all others. When that information has been fully disclosed, it is perhaps in the national interest that the holdings should pass to the USA, but holders ought not to be expected to part with their

property without knowing its value. There is a growing habit in this country of making offers, of one sort or another, between the close of a financial year and the publication of accounts, and this sort of thing cannot be sufficiently discouraged.

Celanese Preference Scheme

The liability of British Celanese for EPT having been approximately determined, the directors are now able to put forward a scheme for dealing with the arrears of cumulative dividend on the 7½ per cent second preference capital of the company. The dividend is in arrears since October 30, 1931, and it is proposed to cover payments up to April 30th last; that is to say, for 10½ years, equivalent to 78½ per cent gross on the capital, ignoring interest on payments in arrears. Holders are offered, apparently in full satisfaction of their rights, 4 per cent funding certificates to the amount of 40 per cent net on their capital. That is to say, they are offered a payment, which may be indefinitely deferred, of rather over half the gross amount now due to them, and interest on this sum at 4 per cent cumulative, so far as the company is able to earn it. A weakness of the only statement so far available is that it does not make clear what priority this interest payment enjoys. It is stated to be "dependent on profits," an ambiguous expression, and it is stated that on liquidation the funding certificates rank for capital, arrears of interest and a premium of 5 per cent after satisfaction of the claims of the first preference shareholders. It seems, therefore, that the normal interest charge ranks in the same priority, but the ambiguity of the expression "dependent on profits" remains. Redemption of the funding certificates may be effected out of 25 per cent of profits remaining after the second preference dividend has been met, and in any year when an ordinary dividend is paid, a sum equal to 25 per cent of the dividend must be applied to redemption of the certificates. The price is to be not more than 21s. per certificate. When it is considered that the holders of the second preference have been without dividends for a decade during which the rate of income tax was relatively low, it is hard enough that they should be paid off when it is high. If they were paid in cash, they would receive a trifle less than is now offered in certificates, but to be offered only certificates is adding insult to injury. It will be recalled that the revised scheme of Fine Cotton Spinners provided for payment of net arrears, half in cash and half in stock. If British Celanese cannot find the cash, then the second preference holders are entitled to demand some other compensation, and it is to be hoped they will do so. In announcing the scheme, the board also say that they are abandoning certain provisions, and had this policy been adopted a year ago the second preference dividend would have been fully covered. For 1941-42 pre-tax earnings are greatly increased, from £487,257 to £1,270,000 before audit; there are also large accumulations of liquid assets. If, nevertheless, cash is not available, there remains the possibility of the transfer of a further slice of the equity. It may be well to await full details before prescribing a solution, but in any case the scheme, as it stands, is unacceptable to the second preference holder as such.

Anglo-Egyptian Oil

The full accounts of Anglo-Egyptian Oil for 1941 do not, unfortunately, reveal gross earnings from sales of oil and valuation of stocks, which rose by more than £1,000,000 to £2,248,232 in 1940. Profits, after trading expenses and taxation, amounted to £448,992 against £418,985 for 1940. Charges are, however, heavier, depreciation requiring £175,607 against £155,651, and exploration reserve £22,951 against nil. Consequently, earnings for dividends are reduced from £236,254 to £218,229, and the payment on the "B" shares, which is maintained at 12½ per cent, is underearned by 0.9 per cent. There is a consequent draft on the carry forward of £15,271, reducing it to £128,732. The main change in the balance-sheet is the jump in creditors and tax reserve of nearly £900,000 to £2,579,179. The rise in debtors is more moderate, from £956,887 to £1,543,778, and the former increase finances the accumulation of stocks of materials, which have risen from £797,641 to £1,041,234. Cash items show an increase in gilt-edged investments from £92,853 to £293,151 and a decline in bank holdings from £401,520 to £206,184. As the chairman, Sir Robert Waley Cohen, points out, there is

a decline in net liquid assets, excluding material stocks, of £221,000, making a fall of some £660,000 over the past two years. The failure to include stocks of material in the calculation is, of course, due to the fact that they are intended for productive use and not for sale. The concern is clearly buying against the possibility of future shortage and the setback to liquid assets will no doubt even itself out over the next few years. The past year, and the current period, must be assumed to be times of exceptional activity, and it is most probable that the gross figure, were it revealed, would show a further considerable expansion. In present conditions of trading and taxation, increased turnover will, however, bring little benefit to the "B" shareholder. The yield, at the current price of 58s. 9d. ex dividend, amounts to £4 5s. per cent.

Ransome and Marles Profits

The full accounts of Ransome and Marles Bearing Company show a modest rise in disclosed profits, after tax but before depreciation, from £183,729 to £184,713 for the year to June 30th last. There is a more substantial improvement in equity earnings from £73,295 to £100,567, thanks to a number of reductions in charges. Thus, depreciation absorbs £63,579 against £68,734; war damage £15,867 against £27,000, while there is no liability for additional tax against £10,000 in the previous year. The ordinary dividend, maintained at 20 per cent, is covered by a rate of 28.7 per cent, whereas in 1940-41 it was underearned by 0.4 per cent. The surplus goes to provide £30,000 against nil for contingencies, and to raise the carry forward from £76,305 to £76,872. The chairman, Sir Albert Bennett, indicates that these results are considerably better than could have been foreseen earlier in the year. The concern has clearly been very fully employed, and the expansion in debtors from £385,035 to £496,150 and in stocks from £552,161 to £696,738 in the balance sheet have been financed mainly by a bank overdraft of £127,561, and a fall in cash from £100,000 to negligible proportions. The rise in creditors is only some £9,000 to £193,443. There is, none the less, an increase in net liquid assets from £566,945 to £632,205. The reserve position is strong, the total of reserves and free surplus amounting to £577,372 after the latest transfer. In view of the possible hardship to investors the board have decided to continue interim payments, but it must be understood that no conclusions as to the results of the whole year must be built upon them in times such as these. The £1 ordinary stock at 71s. 3d. ex dividend yields £5 2s. 3d. per cent.

Beecham Maclean Holdings

Beecham Maclean Holdings, the company controlled by *Beechams Pills*, which owns the ordinary shares of *Macleans, Limited*, and other manufacturing companies, has, in contrast with the Beecham side of the group, suffered a severe drop in income from £502,144 to £304,923 in the year to June 30th last. The setback is due primarily to the imposition of quota restrictions on sales of the products of two subsidiaries, and the directors report a possibility that these restrictions may be lifted. Income has also suffered in that one of the subsidiaries has been charged with EPT formerly borne by the parent, *Beechams Pills*. In view of a decline in income-tax liability from £248,391 to £149,730, it is still possible to pay something on the ordinary dividend, but equity earnings, after preference dividends and allocations to preference redemption, are down from £107,935 to £9,340. The ordinary capital, which is all held by *Beechams Pills*, receives a net amount of £9,000, equivalent to some 2.1 per cent against a net amount of £107,312, equivalent to 25½ per cent. The carry forward is raised from £1,724 to £2,064. The directors state that the scope of the group's activities has been widened since the close of the financial year by the acquisi-

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COGNAC BRANDY

tion of the entire share capital of five outside companies, but there is no indication of the total value of these transactions. In the balance-sheet, the valuation of investments at cost is unchanged at £2,950,000, but there is a rise in advances to subsidiary concerns from £391,963 to £548,181, financed by a loan from the parent of £79,328, an increase in bank overdraft from £243,028 to £271,637, and a diminution in cash holdings of some £25,000. The accounting date is again to be changed, this time to March 31st, in order to coincide with the accounting dates of the subsidiaries. The alteration inevitably interferes with any regular comparison of earning capacity, but this defect will be more than compensated if consolidated statements are presented.

Malayan Aftermath

The dreary saga of the Malayan rubber companies receives a new chapter almost daily. There is little point in analysing separately the, by now, completely academic earnings of the past year. The outlook for all is conditioned by the prospective defeat of Japan, by the actual destruction to property and by such compensation as may be given. In the interval, the only topic of interest is the evaluation of the net liquid assets retained by managements, and the inescapable liabilities on which these sums will have to be spent. Three typical concerns, *Kepong (Malay)*, *Linggi Plantations*, and *Bukit Rajah*, reporting to various dates within the last twelve months, may serve as examples. *Bukit Rajah*, excluding debts in the East, retains £59,015; *Linggi* £72,396, subject to taxation of an unspecified total, and also to an annual debenture charge of £17,306 gross, while *Kepong (Malay)* retains £66,582, also subject to taxation, but not to debenture payments. Only the last-named concern made any payment for the latest financial period, a 5 per cent interim. Future income, until the Japanese are evicted, appears to depend on investment earnings, which in the latest years amounted only to some £2,000 each for *Kepong* and *Linggi*, and to little over £1,000 for *Bukit Rajah*. The chairman's speeches reflect full appreciation of

the stark necessities of the situation. Sir John Hay, for *Linggi*, stresses the critical difficulties of the company which must confront all concerns with debenture charges. Sir Francis Voules, of *Kepong*, joins Sir John in his earlier rebuttal of the charge of delaying production in the crucial period. Delay, then—if delay there was, and however caused—is bringing increased difficulties now. It can only be hoped that the industry as a whole will benefit from its enforced holiday to effect those economies in costs which have been urged upon it for a decade or more, as a preparation for a fresh start.

Trinidad Petroleum Development

Despite a rise in net profits of £55,660 to £398,430, the preliminary statement of Trinidad Petroleum Development scarcely conveys a reassuring picture of the company's experience in the year to July 31st last. The appropriation for tax and contingencies is raised from £175,000 to £240,000, a new high level, and compares with £200,000 in 1939-40. The directors have decided to maintain the year's payment on ordinary capital at a total of 15 per cent, with a final dividend of 10 per cent, less tax at 5s. 6d. After allowing for a full year's dividend on the newly-issued 6 per cent preference capital, which only required a payment of some 3½ per cent in the previous year, it appears unlikely that equity earnings can exceed £146,430 against £161,195. On this basis, the earned rate would amount to some 14.6 against 17.2 per cent, and there would be a draft on the carry forward of some £3,500. The company is, of course, hardly hit by the incidence of local and British taxation, and this is presumably the main charge which threatens the maintenance of the ordinary payment. There is as yet no news that the EPT standard is fixed. It remains to be seen whether the rising demand for Trinidad oil has caused the company to accelerate further the development of its natural resources, but this would appear a probable corollary of the world petroleum situation. The £1 ordinary shares, at 65s. 7½d., yield £4 12s. 3d. per cent, less tax at 5s. 6d.

Industry and Trade

Economy in Raw Materials

The United Nations possess an overwhelming superiority over the Axis in most raw materials. In the past it has often been said that this latent advantage only becomes effective when the materials are massed on the battlefield in the form of tanks, aircraft, guns and other munitions. The factories of North America and Great Britain are now rapidly converting their enormous supplies of materials into the instruments of war. Indeed, the stage has been reached when the capacity for manufacturing war equipment is beginning to outstrip the supply of materials. There are already reports of shortages of individual munition materials. But it is unlikely that the output of munitions in Allied and enemy countries is proportionate to their respective supplies of raw materials; there is a strong presumption that, ton for ton of materials, Germany's war output is still bigger than that of the United Nations. The time has therefore come when still greater efforts must be made by the United Nations to make their materials go further, not merely by cutting civilian supplies still more, but by the simplification of specifications. True, a good deal has already been accomplished, but the scope for further economy is said to be appreciable, without impairing the efficiency of equipment. It is only by using their materials as efficiently as the Germans that the United Nations will be able to bring to bear the full weight of their potential superiority in equipment.

Steel Supplies

The steel supply position is reported to be not unsatisfactory. By increasing its own production the iron and steel industry has probably contrived to make good part of the heavy reduction in shipments from the United States this year. The output of iron ore has been going up steadily and the scrap campaign has led to an increase in the supply of that raw material. By the end of August, the iron railings had been removed from about 2,000,000 houses

and the weight of metal recovered for scrap was 310,000 tons. Moreover, the Minister of Works and Planning has at last made an Order requesting occupiers of premises on which there are three tons or more of metal suitable for scrap to inform the Ministry of its existence. But satisfactory though the flow of raw materials may now be, the demand for steel is going up with Great Britain's growing munition-making capacity. It is to be hoped, therefore, that steps will be taken in good time to ensure the maintenance of the flow of ore and scrap to the steelworks. The supply of scrap, in particular, has by no means been exhausted, but the rate at which it will be forthcoming in the future will depend in no small measure on the way in which the new scrap Order will be applied. But, in order to ensure adequate supplies for all purposes, it will also be necessary to practise still stricter economy in consumption and, in particular, to avoid the use of high-grade materials, which are scarcest, for purposes where material in more ample supply will do duty equally well.

Munition Contracts

The expansion of the activities of Messrs. George Wimpey & Co., Ltd., a firm of building contractors, in Scotland has recently been the subject of criticism in the House of Commons. Mr J. L. Clyde, KC, who was asked by the Treasury to make an inquiry into the allocation of Government contracts to the firm, has now issued a report (Cmd. 6393). It reveals that Messrs. George Wimpey have, in fact, extended their operations in Scotland very considerably. The number of persons employed by the concern in Scotland rose from 3,000 at the outbreak of war to 7,000 in June, 1940, and its share of Government contracts, totalling £46,938,000, amounted to £7,055,000. But in the view of Mr Clyde the substantial share of the contracts placed by Government departments with the firm in question is attributable to its own proved merit and efficiency. While criticising the procedure adopted in allocating

BRITISH CELANESE LIMITED

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Registered Office:
FIRST FLOOR,
50/54, UNION STREET,
TORQUAY.

8th October, 1942.

DEAR SIR (OR MADAM),

On various occasions in the past, both prior to and since the outbreak of War, it has been intimated by the Chairman at Annual General Meetings that the Directors would take the first suitable opportunity to submit proposals for dealing with the accumulated arrears of dividend on the 7½ per Cent. Participating Second Cumulative Preference Shares of the Company. The War having supervened, the Board considered that this matter could not properly be taken up until sufficient time had elapsed to allow the effects of the War upon the position of the Company to be appreciated.

The experience of war conditions which has now been gained and the fact that the Company's Profit Standard for Excess Profits Tax has now been fixed (with the exception of an outstanding claim) have led the Directors to the conclusion that the results achieved up to date enable them to put before the shareholders the proposals hereafter outlined for dealing with those arrears.

The Scheme is based on the position at which the Company has now arrived, including an estimate of profits to June, 1942, and the current trading position. It must be realised, however, that although these show an improvement it is impossible under existing conditions to forecast the future for any length of time.

The submission of the proposals is further supported by the fact that up to date the Excess Profits Tax, already paid and accruing, amounts to a substantial sum, and that should the profits of any future year during which this tax is operative fall below the standard the Company would be entitled to a credit in respect of the tax so paid or accrued to the extent to which such profits may fall short of the standard.

In order that Shareholders may have some appreciation of the position, a statement of the estimated profits for the year to 27th June, 1942, is given below together with, for the purposes of comparison, the results for each of the preceding two years, and with comparative amounts of Cash and Government Securities.

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED:

	27 June, 1942.	28 June, 1941.	29 June, 1940.
Balance of Trading Account	3,038,000*	2,169,401	2,989,634
Balance after charging General Sales and Administrative Expenses, Excise Duty, Adjustments of Stock Values, Research and Advertising, Additions to Patent Rights, Directors' Remuneration	1,860,000*	1,087,521	1,556,339
Balance after deducting Depreciation, A.R.P. provision, Commutation of Royalties, Interest and Premium on Debentures, but subject to Excess Profits Tax and Income Tax	1,270,000*	487,257	955,913

* Estimates only and subject to audit.

CASH AND GOVERNMENT SECURITIES.

	27 June, 1942	28 June, 1941	29 June, 1940
	2,183,596	1,043,549	1,063,756

Whilst the increase in the Cash and Government Securities is satisfactory, it must be realised that a large amount has to be set aside thereout for Excess Profits Tax and Income Tax purposes.

The above estimate of profits for the year ended 27th June, 1942, has been compiled on the same basis and according to the same practice as those employed in compiling previous years' Accounts.

Having regard to the limitation of the profits available for dividend which results from the figure at which the Company's profit standard has so far been fixed for E.P.T. purposes, the Directors have felt it right in the interest of the shareholders affected by the Scheme that so long as the present scales of taxation of profits continue the policy of making present and future appropriations in arriving at distributable profits should be revised so far as this can be done without weakening the financial position of the Company.

One of the major items of appropriation is that of Commutation of Royalty amounting to £61,142 annually. In order to make provision for this amount (which has to be met out of taxed profits) with an Income Tax rate of 10s. in the £, the substantial sum of £122,284 has to be withdrawn from the gross amount which would be otherwise available for distribution as dividend.

This appropriation will, therefore, be omitted from the Accounts to be presented at the next Annual General Meeting, although for the purpose of comparison with previous years' profits, it has been included in the above estimate of profits for the year ended 27th June, 1942. As a result the profits available for distribution will be increased by £122,284 gross.

There are enclosed with this circular Notices of Meetings which have been convened for the 29th October, 1942, to consider Resolutions providing for the satisfaction of the arrears of Second Preference dividend to the 30th April, 1942, by the distribution rateably among the holders of these shares of Funding Certificates, which it is proposed to create for a nominal amount of £1,700,000, so that the holders of the Second Preference Shares will receive in Funding Certificates a nominal amount equivalent to 8s. in respect of each Second Preference Share of £1 held by them.

The Certificates will carry 4 per cent. interest dependent on profits but cumulative and will be redeemable out of profits by means of a fund to be established for this purpose with an ultimate right on liquidation to the repayment of the nominal amount with a premium of 5 per cent. and any arrears of interest out of surplus assets remaining after payment of all liabilities and repayment of the capital of the First Preference Shares, together with their cumulative dividend down to the date of the return of capital and a premium of 4s. per share.

The interest on the Funding Certificates will be calculated as from the 1st November, 1942. The provisions for the withdrawal of Funding Certificates are set out in full in the form of Funding Certificate which is available for inspection at the Registered Office and at the Head Office of the Company but may be summarised as follows:—

- Provided the fixed dividend on the Second Preference Shares has been paid in full to the last dividend date, the Company is free to apply in the purchase of Certificates at any price not exceeding 21s. for each £1 nominal one quarter (less tax) of the balance of the profits which would otherwise be available for distribution as dividend.
- If in respect of any year a dividend on the Ordinary Shares is declared or paid the Company is to be bound to set aside for the withdrawal of Certificates such sum as will, with the amounts applied in the purchase of Certificates since the beginning of that year or the date of the last payment of dividend on the Ordinary Shares (whichever is the shorter), be equal to at least 25 per cent. of the amount, less tax, of the dividend declared or paid on the Ordinary Shares.
- The amounts so set aside are to be applied in the purchase of Certificates in any manner at any price not exceeding 21s. per £1 nominal, with provision for drawings at a premium of 5 per cent. in the event of the unapplied balance of the fund exceeding a specified limit. Certificates drawn will be surrendered for cancellation on a date not more than seven days after the 30th June next following the drawing, on which date interest will cease to accrue on the Certificates. The Certificates will be registered and transferable by transfer in the ordinary common form, in amounts and multiples of £1.

To be effective, the Scheme must be approved by the requisite majority by the Second Preference Shareholders and the Ordinary Shareholders, voting at separate meetings, as well as by an Extraordinary General Meeting of the Company.

The Directors are of the opinion that the proposals embodied in the Scheme and summarised above represent an equitable arrangement as between the classes of Shareholders affected and they therefore recommend their adoption.

The Scheme, if approved by the Shareholders concerned, will be submitted for the sanction of His Majesty's Treasury as required by No. 6 of the Defence (Finance) Regulations and will only become effective on such sanction being given.

By Order of the Board,

W. H. POXON,

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some of the contracts placed by the Office of Works and by the Air Ministry, Mr Clyde considers as unjustified any imputation of bad faith or any suggestion of a sinister or improper influence. He had felt, however, that in selecting the large firm, some of the departments had paid too little attention to the need for keeping in being smaller local concerns in existence. It appears as though the agitation had its origin mainly in the fact that Messrs George Wimpey secured more business than was to the liking of local interests. If, as is suggested by Mr Clyde, the success of the firm is due to its efficiency, Government departments can hardly be criticised for using its services. Another White Paper on the subject of contracts, issued this week by the Government (Cmd. 6398), explains the action taken on contract cases discussed in the recent report of the House of Commons Committee of Public Accounts. Attention was drawn in the Committee's report to contracts for the manufacture of guns and ammunition for the Ministry of Aircraft Production by the British Manufacture and Research Co., Ltd, whose managing director is Mr W. D. Kendall, independent MP for Grantham. During a debate on the report of the Committee of Public Accounts in the House of Commons on Wednesday, Sir Kingsley Wood said that, on the whole, prices and profits in war contracts had been reasonable, while Colonel Elliot, chairman of the Committee, emphasised the need for auditing in war contracts.

The New Tin Agreement

The text of the new tin agreement, to which reference was made on page 427 in last week's *Economist*, has now been published (Cmd. 6396). In the main it is a reproduction of the previous scheme. It starts from the assumption, it is necessary and advisable to regulate the production and export of tin from producing countries,

with the object of keeping world stocks at a nominal figure, adjusting in an orderly manner supply to demand, while at the same time making available all the tin that may be required and preventing rapid and severe oscillations of price.

The welcome addition in this statement of policy is the reference to the need for "making available all the tin that may be required." The text of the new agreement suggests that tin mining is to remain a monopoly of the Governments of producing countries. By providing against discrimination, it may comply with the letter of the Atlantic Charter, which provides for "access, on equal terms, to the trade and to the raw materials of the world"; but it contains no effective safeguards against the exploitation of consumers as a whole. True, the number of consumers' representatives on the International Tin Committee has been increased from two to three by the invitation of a representative of the American Government; but they have no voting rights. The new agreement can hardly be regarded as a satisfactory precedent for the control of raw material supplies after the war.

The standard tonnages from which quotas are to be calculated have been brought more into line with the productive capacity of the member countries in 1941. They are, with the previous standards given in brackets:—Belgian Congo 20,178 (15,035) long tons, Bolivia 46,768 (46,027) tons, Malaya 95,474 (77,335) tons, Dutch East Indies 55,113 (39,055) tons and Nigeria 15,367 (10,890) tons. The total of the new standard tonnages is 232,900 tons, while under the last agreement the total, including 18,628 tons for Thailand and 3,000 tons for French Indochina, was 209,970 tons. A special protocol added to the agreement lays down that the position of Malaya and the Dutch East Indies shall be reconsidered as soon as these territories have reverted to their mother countries and their actual productive capacity can be determined. Article 3 (i) of the agreement opens the way to the adherence of non-signatories, which probably means that after the war Thailand and Indochina (and possibly also China, until last year the only important outsider to the scheme) will be invited to rejoin the scheme. The same article, however enables the ITC to make also any other recommendations for the amendment of the agreement, a possibility which is particularly important in view of the shortcomings of the scheme.

Retail Trade

The retail trade report for August and the Bank of England index numbers of the value of average daily sales (1937=100) are published in the *Board of Trade Journal* for October 3rd. The index for all departments was 98, the same as it was in August, 1941, although this year the drop between July and August was considerably larger. So far as individual categories of merchandise are concerned, only in household goods, where the figure rose from 75 in July to 77 in August, was there any rise to record in the average value of sales. Sales in the London district have improved slightly since last year, but other districts show

PERCENTAGE CHANGE IN VALUE OF RETAIL SALES SINCE THE CORRESPONDING MONTH A YEAR AGO			
	Food and Perishables	Other Merchandise	
1941 August	— 1.9	— 10.8	%
September	— 0.8	— 8.2	%
October	+ 0.2	— 23.5	
November	— 0.4	— 2.3	
December	— 1.9	— 7.4	
1942 January	— 1.1	+ 12.0	
February	+ 1.8	+ 11.3	
March	+ 4.3	+ 5.3	
April	+ 0.9	+ 0.8	
May	+ 5.0	— 2.5	
June	+ 4.2	— 0.8	
July	+ 5.9	— 0.7	
August	+ 3.7	— 4.4	

little or no change. Except for a drop of 5 points in the southern region, between the two Augusts, the indices for the other regions diverge at most by one. The total rise in the value of sales compared with a year ago amounts to no more than 0.4 per cent, as is shown in a table on page 466. The value of stocks of merchandise in August was 5.5 per cent higher than the year before. The non-food stocks total was only 1.5 per cent more than last year, and the food and perishables total as much as 44.1 per cent higher. The excellent fruit crop obtained this summer, as well as the larger cheese ration, and somewhat better fish supplies, may have contributed to this large rise, which was also apparent in June and July.

Caterers Catered For

The fight between the caterers, now organised in a joint committee, and the Minister of Labour, about the setting up of central wage board machinery, continues, albeit a little one-sidedly. For Mr Bevin has announced, notwithstanding the trade's protestations, that he intends to introduce a Bill into Parliament, which will permanently establish the machinery he envisages. The Liaison or Joint Committee of the Catering Trades, which was set up to oppose the Ministry of Labour, comprises representatives of employers in widely varying types of catering: among refreshments, boarding house keepers, purveyors of light pie sellers and publicans. Not every section of the catering trade is, however, opposed to organisation. Those not represented on the Liaison Committee are in favour of joint industrial councils, and in the case of industrial caterers, such a council is in being, and has reached agreement on fixing minimum wages and conditions. They prefer voluntary methods of fixing minimum wages and conditions. The Liaison Committee is opposed to any form of organisation, and their opposition to official organisation is correspondingly great. Catering interests in the House of Commons can be expected to provide a lively and trenchant debate on the Bill.

Women Shipbuilders

The iron and steel industry, with 13½ per cent of its workers women, has set an example to other heavy industries in the use of women to replace male labour. Some list of occupations which women have adopted is an interesting one. It includes, among many others, coppermiths, joiners, drillers, machinists, electricians and welders. The Ministry of Labour is urging that more women should be employed in the industry. So far the numbers employed are not as great as they could be. A national agreement on wages has been reached between the Shipbuilding

(Continued on page 463)

ASPRO LIMITED

UNASSAILABLE VALUE OF "ASPRO"

The meeting of Aspro, Limited, was held, on the 7th instant, in London.

Mr G. M. Garcia (chairman and managing director), who presided, in the course of his speech, said: "There is a total available balance of £208,091. It is gratifying to record that during the past twelve months we have successfully maintained our export position. In this connection I would again stress the fact that the very considerable expansion in exports of "Aspro" since the outbreak of war provides not only a material contribution to our national economy, but also enhances British prestige abroad. Again, the past year has provided further confirmation at home and abroad of the unassailable value of "Aspro" and of its efficacy in alleviating so many of the thousand natural shocks to which the flesh is heir.

CONTRIBUTION TO WAR EFFORT

At our last meeting I gave you an outline of the manifold activities we had initiated from the outbreak of hostilities in an earnest endeavour to contribute to our utmost, directly as well as indirectly, to the promotion of the war effort. I am in the happy position of being able to say that not only have these various activities been fully maintained, but that they have even been very materially expanded.

While our immediate aim is victory, it would be inexcusable to dismiss consideration of post-war problems. In order to bring about the fullest collaboration between all nations in the economic field, with the object of securing for all improved labour standards, economic advancement and social security, it will be incumbent on many nations to adopt an entirely new orientation in regard to their economic policy. I have in mind particularly the necessity of promoting a freer exchange of goods between the nations by the removal of prohibitive customs tariffs.

It must not be forgotten that when hostilities cease the United States will stand forth as the predominant creditor nation in the world. How are the debtor nations—including ourselves—to bear the immense burden of the cost of reconstruction, apart from any question of the repayment of debts, if that great nation excludes

(Continued from page 462)

Employers' Federation and the Confederation of Shipbuilding and Engineering Unions. Women under 21 are to be paid the corresponding rates and wages paid to boys and youths, irrespective of the work on which they are employed. These rise from 19s. at 16 to 47s. at 20. Women may be paid 47s. a week for a minimum of eight months. Thereafter, a woman over 21 must be paid the same wages as a displaced male employee where she performs the same duties without extra assistance or supervision. Otherwise, the rate is 53s. 6d. in unskilled or semi-skilled classes of work and 62s. 9d. a week for skilled work.

Cobblers' Registration

It is more difficult to get a pair of shoes repaired than to buy new ones. Whereas shoes could be repaired, in some cases, while the customer waited, and usually in not longer than a week, it is now unusual for the repairer to do the smallest repairs in less than a month. He is, of course, limited by shortage of labour and material. It is important that adequate facilities for this service should be provided for the public. To this end, the Board of Trade has issued the Footwear Repairs (Control) Order (S.R. & O. No. 1984), by which all boot and shoe repairers (other than rubber footwear) must apply for registration to the Assistant Director for Footwear Repairs. After November 1st, only persons who are registered will be permitted to carry on such businesses. Powers are given by the Order to enforce

to a large extent the products of the labour of its debtors? I look to the sound business commonsense of the American citizen, as I believe that once he has grasped all the implications arising from the new situation created by totalitarian warfare, he will not fail to contribute to the fullest limit his share in implementing the principles enunciated in the Atlantic Charter and in doing so to give a lead to other nations.

A NEW ECONOMIC LIFE

The alternative is indeed a dismal outlook, since it must of necessity compel resort to self-sufficiency in excelsis, a condition bound up with a general lowering in the standards of living and its concomitant repercussion on the provision of social services, together with the use of substitutes for those materials which cannot be imported because they cannot be paid for by exports owing to closed markets. Such a condition would indeed be a negation. The equitable solution of this fiscal aspect is intimately bound up with the necessity of preserving the prosperity of primary producers.

Another factor has also to be borne in mind that may have grave repercussions in many directions. As a result of the war, steps have been taken in this country, and especially in the United States, to replace a number of products hitherto provided by nature by articles which the inventive genius of man has made possible to produce by manufacturing processes. Apart from the fact that the replacement of natural products by synthetic equivalents (and I have in mind particularly the case of rubber) may in the long run spell disaster for many primary producers; it may also adversely affect certain branches of industry.

The report was unanimously adopted.

LEVER BROTHERS & UNILEVER, LIMITED

REPORT OF ANNUAL MEETING

The annual general meeting of the members of Lever Brothers and Unilever Limited was held, on the 8th instant, in the board room, Unilever House, London, E.C.4.

Mr Geoffrey Heyworth presided.

Before commencing the business, the members present stood in silence as a tribute to the memory of the late chairman, Sir F. D'Arcy Cooper, Bart.

The notice convening the meeting and the report of the auditors having been read,

The chairman suggested that the directors' report and statement of accounts and the chairman's review for the year ended December 31, 1941, which had been issued to the members, should be taken as read, and the members agreed.

The chairman moved and Lord Leverhulme seconded that the directors' report and statement of accounts for the year to December 31, 1941, now submitted, be received and adopted.

The motion was put to the meeting and carried unanimously.

A dividend of 5 per cent. for the year 1941 on the ordinary stock payable on October 13, 1942, and a dividend of 5 per cent. for the year 1941 on the preferential certificates outstanding under the Co-Partnership Trust were declared; the retiring directors were re-elected, and the auditors, Messrs Cooper Brothers and Co., and Messrs Price, Waterhouse and Co., were reappointed.

A hearty vote of thanks to the Chairman, directors and staff terminated the proceedings.

KEPONG (MALAY) RUBBER ESTATES, LIMITED

The annual general meeting of this company is being held, on the 12th instant, at the Great Eastern Hotel, E.C., at 12 o'clock.

The following is an extract from the address of the chairman, Sir Francis Voules, C.B.E., which was circulated with the report and accounts:—

The results for 1941 would have been very favourable had matters continued normal. Our assets in cash and British War Bonds amount to approximately £247,000, subject to liability for taxation, which cannot at present be assessed.

We have made ample reserve for taxation, and your directors hope that some compensation or redress will be forthcoming from the Government for the sacrifices made necessary by military operations or otherwise, due to the Japanese invasion, and for the loss of our properties.

The directors have reduced their remuneration by more than one-half for the year to March 31, 1943.

It is impossible to say at present what the future holds, but when our estates are recovered, I am convinced that our prospects will compare favourably with those of any other producer in the East.

the keeping of records, but the Board of Trade has stated that if any records are asked for they will be simple and straightforward. Prices of footwear repairs, in common with other services, such as laundry services, are controlled. Repairers may charge not more than their charges on April 27, 1942, or one-third more than the charges made in August, 1939, whichever is less.

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, Economist Newspaper Ltd.,

Brettenham House, Lancaster Place, W.C.2

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name

Address

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE course of the *Financial News* index of ordinary shares indicates some acceleration in the rate of the recent advance, which, despite record figures of over 6,000 markings daily on the first two days of the current week, is largely attributable to the continued shortage of stock. In the main, the rise has been concentrated in industrial equities, and particularly during the past week, on home rail issues. The *gilt-edged* market, however, has not been very active, actual business failing to alter prices to any extent, apart from a gain of $\frac{1}{8}$ and $\frac{1}{16}$ for 3 per cent Conversion and 3 per cent Savings Bond at the opening. Quiet conditions prevailed in the *foreign bond* market where Brazilian bonds fluctuated narrowly, but apart from a fall of a point for Egyptian Unified and a point rise for the 5 per cent Chilean bonds of 1913, prices were generally steady. Yield considerations attracted a considerable volume of business to the home rail market, over 1,000 bargains being recorded on Monday, about double the daily average for the preceding week. Demand was fixed largely on the junior issues, and despite a slight reaction on Tuesday, prices improved over the week. Thus, GW and LMS ordinary rose $2\frac{1}{2}$ and $1\frac{1}{2}$ points respectively, while both the Southern junior issues enjoyed useful advances. Among the preference stocks, the Berwick 1st and 2nd 4 per cent issues advanced more than a point, while the LMS 4 per cent stocks were also advanced a fair measure of support. The *foreign rail* market was considerably more active than of late. Among the many Argentine issues to improve, BAGS 5 per cent preference advanced 3 points on the week, while the Cordoba "B" and Peruvian Corporation debentures were 3 and $1\frac{1}{2}$ points higher respectively, with strong support for San Paulo. Elsewhere, Canadian Pacific ordinary improved slightly.

In the industrial market buyers continue to search over a wide field for suitable stock, sharp advances for leading equity stocks reflecting the increasing scarcity of good stock. Thus, among brewery shares, Guinness overshadowed the numerous widespread improvements of other stocks with a rise of 6s. 9d. on the week, and, in the tobacco group, BATS and Imps improved steadily. Albion Motors was outstanding in the motor and aircraft section with an advance of 3s. 3d., while Rolls-Royce and Leyland rose 2s. 6d. and 2s., respectively, over the same period. Gains of the order of a few pence were general in the heavy industrial group, with colliery issues particularly firm, Wm. Cory, Sheepbridge and Staveley all advancing. Numerous small movements were recorded in the shipping section without markedly affecting prices, while textile shares continued their upward trend of recent weeks, British Celanese issues remaining firm on the expectation of the dividend arrears scheme, although individual gains were

generally restricted to a few pence. The stores group was strong throughout under the leadership of Lewis Investment Trust and Woolworth, the latter rising 2s. 6d. on the week. The miscellaneous section reflected the generally firm tone of the market with good gains for Turner & Newall and United Molasses, London Brick and Reckitt & Son.

Turnover in the *kaffir* market was light over the week-end owing to the holiday in Johannesburg, but the revival of buying on Tuesday, however, found the market short of stock, and among numerous gains, Blyvoors rose 1s. 6d., Sub Nigel and Grootvlei $\frac{1}{8}$ each. The rubber market was quiet, a few improvements reflecting marking up rather than actual buying. Tea issues, however, advanced slightly on quiet support. Apart from good gains for leading issues in the oil market at the reopening, there was little of interest, Anglo-Egyptian advancing $\frac{1}{8}$, while Burmah gained $\frac{1}{8}$, Shell and Anglo-Iranian $\frac{1}{8}$, although the tendency in midweek was distinctly firm, both Attock and Anglo-Iranian improving.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Corres. Day 1941	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Oct. 1	4,491	3,758	86.8	133.0
" 2	4,526	3,362	87.2	133.1
" 5	6,450	3,617	87.6	133.1
" 6	6,166	4,048	88.0	133.1
" 7	5,447	3,359	88.0	133.1

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 88.0 (Oct. 7); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942 highest, 135.6 (Apr. 29), lowest, 132.2 (Jan. 5). ‡ New basis in S.E. List. § Old basis.

New York

ACTIVE trading inspired by the prospect of the early passage of the Tax Bill, together with the better war news, occasioned a considerable advance in most sections on Wall Street during the past week. Rail and steel issues were especially prominent, considerable and widespread profit-taking failing to bring the upward movement to a halt. On Tuesday, however, Mr Morgenthau's demand for yet higher taxation restricted further buying, the market displaying a slightly easier tendency.

STANDARD STATISTICS INDICES (1935-36=100)

WEEKLY AVERAGES

	1942		Sept. 15, 1942	Sept. 23, 1942	Sept. 30, 1942
	Low	High			
347 Industrials	62.4	75.0	70.9	71.9	72.6
32 Rails	58.4	71.0	65.4	67.5	68.6
40 Utilities	63.1	67.4	58.9	59.6	60.1
419 Stocks	60.8	73.3	70.7	69.7	70.4
Av. yield %	6.40	6.36	6.56	6.43	6.36

* 50 Common Stocks.
(a) Jan. 7. (b) Feb. 4. (c) Sept. 30. (d) June 24

COMMODITY AND INDUSTRY NEWS

Maximum Price Orders Amendments.—The Maximum Prices and Maximum Charges Orders (Miscellaneous Amendments) Order (SR and O No. 1978) amends the definition of comparable goods in the Storage (Maximum Charges) Order to refer

to goods which are comparable on the basis of type and quality only. The definition of "maximum price" and "price" in the Quilts and Quilt Covers (Maximum Prices) Order has been brought into line with the definition in other maximum price Orders.

DAILY AVERAGE OF 50 COMMON STOCKS

Date	Sept. 24	Sept. 25	Sept. 26	Sept. 27	Sept. 28	Sept. 29	Sept. 30
	89.8	90.2	90.1	90.3	89.7	89.6	

1942 High: 91.2, Jan. 5. Low: 75.2, April 28.

Total share dealings: Oct. 1, 556,000; Oct. 2, 904,000; Oct. 3, 446,000; Oct. 5, 786,000; Oct. 6, 701,000; Oct. 7, 657,000.

* Two-hour session only.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
October 10, 1942	1,152,786	1,152,786	...

To Shareholders only.

Particulars of Government issues appear on page 465.

Year†	Including Conversions	Excluding Conversions
1942	1,185,436,462	1,158,447,289
1941	1,156,257,428	1,132,747,648

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1942	1,158,019,702	349,272	78,315
1941	1,129,196,245	3,481,401	70,000

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1942	1,151,294,347	938,562	6,214,380
1941	1,126,742,806	477,460	5,527,290

† Includes Government issues to Sept. 29, 1942, only. Above figures include all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

Darwins, Limited.—Issue of 193,353 $\frac{1}{2}$ per cent cumulative preference shares to redeem at 102 per cent on March 31, 1943, the £193,353 5 per cent first mortgage convertible debenture stock.

Shorter Comments

Chase National Bank (\$000s).—Deposits as at September 30th \$3,628,406 (\$3,856,799), cash \$945,679 (\$1,328,312), US Government securities \$1,796,736 (\$1,339,079), loans and discounts \$808,546 (\$773,036). Undivided profit \$44,109 (\$40,441), earnings per share after tax in third quarter 45 (44) cts.

Chrysler Corp. (\$000s).—Net sales of parent and all US subsidiaries for half year ended June 30th \$259,250 (\$507,966), gross profit \$30,815 (\$66,158). Net profit \$8,770 (\$20,975), depreciation and amortisation charged to cost of sales \$5,541 (\$15,875). Earned surplus at Jan. 1st \$129,677 (\$115,669), which with 6 months' net profit to June 30th makes \$138,447 (\$136,644).

Utility Clothing Prices.—The new Order mentioned in the note above extends the period during which retailers may continue freely to sell utility cloth and apparel which

(Continued on page 466)

Finance

BANK OF ENGLAND RETURNS

OCTOBER 7, 1942

ISSUE DEPARTMENT		£	
Notes Issued:		Govt. Debt...	11,015,100
In Circulation	843,241,589	Other Govt.	866,078,034
In Bankg. Department	37,000,129	Securities	1,642,946
		Silver Coin	1,263,920
		Amt. of Fid. Issue	880,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,718
			880,241,718

BANKING DEPARTMENT

Proprs. Capital	14,553,000	Govt. Secs.	148,436,813
Res. & Public Deps.*	3,114,355	Other Secs.	21,748,592
	5,769,531	Advances	3,384,485
Bankers	138,244,159	Securities	25,133,077
Other Accts.	50,193,803	Notes	37,000,129
	188,437,962	Gold & Silver Coin	1,304,829
			211,874,848

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

COMPARATIVE ANALYSIS

(£ millions)		1941			
Issue Dept.		Oct. 8		Sept. 30	
		1941	1942	1941	1942
Notes in circulation	683.3	831.8	838.0	843.2	
Notes in banking department	46.9	48.5	42.2	37.0	
Government debt and securities*	727.5	877.1	877.2	877.1	
Other securities	2.0	1.6	1.5	1.6	
Silver Coin	1.5	1.3	1.3	1.3	
Gold, valued at s. per fine oz.	0.2	0.2	0.2	0.2	
Deposits:					
Public	12.2	11.8	10.3	5.8	
Bankers	126.5	134.7	135.7	138.2	
Others	53.7	46.9	51.5	50.2	
Total	192.4	193.4	197.5	194.2	
Banking Dept. Secs.:					
Government	138.5	134.8	140.9	148.4	
Discounts, etc.	3.0	4.1	2.4	3.4	
Other	20.2	22.9	28.6	21.7	
Total	161.7	161.8	171.9	173.5	
Banking dept. res.	48.3	49.6	43.6	40.3	
"Proportion"	25.1	25.6	22.0	19.7	

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £830 millions to £880 millions on July 29, 1942.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE BANKS

Million \$'s

12 U.S.F.R. BANKS	Resources			
	Oct. 1941	Sept. 1942	Sept. 1942	Oct. 1942
Gold certifs. on hand and due from Treasury	20,466	20,563	20,563	20,562
Total reserves	20,733	20,804	20,810	20,808
Total cash reserves	252	226	233	232
Total U.S. Govt. secs.	2,184	3,573	3,395	3,567
Total bills and secs.	2,204	3,598	3,419	3,590
Total resources	24,119	26,139	25,597	25,754
LIABILITIES				
F.R. notes in circ.	7,256	10,392	10,462	10,658
Excess m. bank res.	5,190	5,040	2,030	1,630
Mr. bank res. dep.	13,240	12,760	11,886	11,592
Govt. deposits	390	6	485	661
Total deposits	15,468	14,005	13,663	13,660
Total liabilities	24,119	26,139	25,597	25,754
Reserve ratio	81.2%	85.3%	85.3%	85.6%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	22,761	22,747	22,750	22,754
Treasury & bank currency	3,196	3,346	3,349	3,354
LIABILITIES				
Money in circulation	10,183	13,440	13,519	13,708
Treasury cash and dep.	2,568	2,212	2,666	2,679

The New York market price of fine silver remained at 44¢ cents per ounce throughout the week.

RESERVE BANK OF INDIA

Million rupees

ASSETS	Sept. 1941				
	26	1941	11	18	1942
Gold coin & bullion	444	444	444	444	444
Rupree coin	394	284	274	271	269
Balances abroad	526	831	781	811	863
Standing securities	1,368	3,168	3,248	3,238	3,298
Ind. Govt. rup. secs.	785	1,024	1,024	1,024	1,024
Investments	90	65	65	67	65
LIABILITIES					
Notes in circ. India	2,676	4,801	4,886	4,909	4,926
Deposits: Govt.	185	150	141	173	232
Banks	492	693	650	618	646
Reserve ratio	61.0%	73.4%	74.0%	74.3%	74.3%

BANK OF CANADA

Million Can. \$

ASSETS	Sept. 1941			
	1941	1942	1942	1942
Reserve: Gold	67.3	1.0	1.0	1.0
Other	663.5	846.5	845.1	873.3
LIABILITIES				
Note circulation	426.7	582.5	586.1	598.3
Deposits: Dom. Govt.	75.3	18.3	21.6	23.7
Chartered banks	231.7	217.5	212.3	229.5

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

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

ASSETS	July 1941			
	21	6	15	20
Gold and stg. exch.	17.76	26.07	26.24	27.56
Advances to State	24.78	34.14	33.85	33.31
Investments	3.77	4.15	4.15	4.15
LIABILITIES				
Bank Notes	21.73	25.49	25.50	25.89
Demand liab. State	10.27	18.68	17.24	17.35
Banks and others	13.40	18.61	19.86	20.48
Reserve to sight liab.	59.1%	41.5%	41.7%	43.1%

BANK OF PORTUGAL

Million escudos

ASSETS	May 1941			
	14	29	6	13
Gold	1271.3	1364.5	1364.5	1364.5
Balances abroad	1292.0	1950.5	1956.3	1985.7
Discounts	347.3	281.8	282.0	280.3
Securities	329.4	354.8	354.8	354.8
LIABILITIES				
Notes in circulation	3066.5	4458.4	4447.7	4456.7
Deposits: Government	426.3	1258.2	1289.2	1322.4
Bankers	1288.3	3096.0	3139.9	3184.1
Others	221.8	283.8	283.8	284.0
Foreign commitments	256.3	235.4	235.5	235.4

MONEY MARKET

PROVINCIAL BANK CLEARINGS

(£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Oct. 4, 1941	Oct. 3, 1942	Oct. 4, 1941	Oct. 3, 1942
	1941	1942	1941	1942
Working days :-	6	6	234	233
Birmingham.....	2,943	2,950	88,483	97,612
Bradford.....	2,074	2,803	86,163	83,684
Bristol.....	2,205	854	77,907	92,762
Hull.....	858	878	25,239	29,806
Leeds.....	1,061	1,162	39,161	44,189
Leicester.....	987	916	32,086	33,159
Liverpool.....	5,347	4,124	214,146	179,329
Manchester.....	13,708	13,683	459,793	474,057
Newcastle.....	1,621	1,347	58,825	58,235
Nottingham.....	1,442	576	17,594	18,511
Sheffield.....	1,101	992	27,471	33,58 ⁸
Southampton.....	62	104	3,663	507
12 Towns.....	32,579	30,389	1,123,552	1,545,411
Dublin*.....	5,049	5,961	230,118	158,151

TAXATION ON INCOMES OF £2,000 AND OVER, 1913-42

The following table was given by the Chancellor of the Exchequer in a written answer in the House of Commons on September 30th, and shows for the years 1913-14, 1923-24, 1933-34, 1940-41 and 1942-43, the income tax and surtax (or super-tax) payable on certain incomes, together with the net annual payment required to meet the estate duty on death. The table is

on the basis adopted in their report by the Colwyn Committee on National Debt and Taxation, investment income being capitalised on a 5 per cent basis and the taxpayer being assumed to be a married man, aged 45, with three children. (The assumption of a 5 per cent return on investments is necessarily an arbitrary one.)

Year	ALL INVESTMENT INCOME					HALF EARNED INCOME AND HALF INVESTMENT INCOME				
	Total Income	Equivalent Capital	Income Tax	Surtax (or Super-tax)	Net Insurance Payment to Provide for Estate Duty	Total	Equivalent Capital	Income Tax	Surtax (or Super-tax)	Net Insurance Payment to Provide for Estate Duty
1913-14	£ 2,000	£ 40,000	£ 117	...	£ 91	£ 208	£ 20,000	£ 96	...	£ 39
	5,000	100,000	292	...	238	530	50,000	232	...	113
	10,000	200,000	583	175	725	1,483	100,000	583	175	405
	20,000	400,000	1,167	425	1,600	3,192	200,000	1,167	425	1,048
	50,000	1,000,000	2,917	1,175	5,176	9,268	500,000	2,917	1,175	2,317
1923-24	£ 2,000	£ 40,000	£ 354	...	£ 126	£ 480	£ 20,000	£ 331	...	£ 43
	5,000	100,000	1,029	326	501	1,892	50,000	1,029	326	1,667
	10,000	200,000	2,154	1,462	1,420	5,036	100,000	2,154	1,462	3,522
	20,000	400,000	4,404	3,962	4,122	12,488	200,000	4,404	3,962	7,736
	50,000	1,000,000	11,154	12,712	14,121	37,987	500,000	11,109	12,712	29,073
1933-34	£ 2,000	£ 40,000	£ 408	...	£ 169	£ 577	£ 20,000	£ 358	...	£ 52
	5,000	100,000	1,158	337	732	2,227	50,000	1,083	337	2,471
	10,000	200,000	2,408	1,519	2,099	6,026	100,000	2,333	1,519	5,252
	20,000	400,000	4,908	4,682	6,258	15,848	200,000	4,833	4,682	11,534
	50,000	1,000,000	12,408	15,957	23,231	51,596	500,000	12,333	15,957	35,592
1940-41	£ 2,000	£ 40,000	£ 685	...	£ 197	£ 882	£ 20,000	£ 614	...	£ 59
	5,000	100,000	1,960	481	1,042	3,483	50,000	1,854	481	3,211
	10,000	200,000	4,085	2,006	3,501	9,592	100,000	3,979	2,006	7,736
	20,000	400,000	8,335	6,319	9,856	24,510	200,000	8,229	6,319	17,758
	50,000	1,000,000	21,085	20,569	25,637	67,291	500,000	20,979	20,569	54,572
1942-43	£ 2,000	£ 40,000	£ 826	...	£ 197	£ 1,023	£ 20,000	£ 776	...	£ 59
	5,000	100,000	2,326	481	1,042	3,849	50,000	2,251	481	3,535
	10,000	200,000	4,826	2,006	3,501	10,333	100,000	4,751	2,006	7,736
	20,000	400,000	9,826	6,319	9,856	26,001	200,000	9,751	6,319	17,758
	50,000	1,000,000	24,826	20,569	25,637	67,291	500,000	24,751	20,569	54,572

(Continued from page 464)

has borne purchase tax at prices including the tax, from September 30th to October 31st. The Order came into force on October 1st.

Animal Feeding Stuffs.—The Feeding Stuffs (Regulation of Manufacture) Order, 1942, which came into force at the end of last week, controls the manufacture of all feeding stuffs except those produced as by-products in the manufacture of human food or of articles for industrial purposes. The new Order consolidates the provisions of the Feeding Stuffs (Control of Manufacture) Order, 1941, and the Compound and Mixed Feeding Stuffs (Control) Order, 1940, as amended. It provides that, except under licence, no person may manufacture animal feeding stuffs, other than the by-products mentioned, and controls the quantity and type of compound and mixed feeding stuffs that may be produced for livestock feeding.

Starch.—Since rice is in short supply, the Ministry of Food has prohibited the use of pure rice starch for laundries and household purposes. A national blended starch, which is considered to be a satisfactory substitute, is now being manufactured to replace it. Allocations to laundries and retailers are at the rate of 25 per cent of their consumption of starch during the year ended June 30, 1939.

Paper Control.—The Ministry of Supply has made the Control of Paper (No. 50) Order, which comes into force on October 25th and amends the definition of paper of conversion given in the No. 29 Order. The main effect of the Order is to prohibit, cutting into circles and adding other than rectangular or angle cut shapes (or) pasting and laminating (under certain conditions) to the processes regarded as conversion.

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

	Oct. 1, 1942	Oct. 2, 1942	Oct. 5, 1942	Oct. 6, 1942	Oct. 7, 1942
Crops	118.5	118.5	118.5	118.5	118.8
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	143.1	143.1	143.1	143.1	143.2
Crops	147.9	147.9	147.9	147.9	147.9
Raw materials	207.3	207.3	207.3	207.3	207.3
Complete Index	175.1	175.1	175.1	175.1	175.1

* Highest level reached during 1932-37 recovery.

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH THE YEAR BEFORE.

	Daily Average Sales	Stocks (at cost)
June	1942	1942
July	1942	1942
Aug.	1942	1942

(a) By Commodities

Non-food Merchandise	-19.9	+6.5	+7.1	-17.4
Piece-goods	+5.4	+5.2	+0.2	+11.8
Women's Wear	-6.7	-10.9	-14.9	-2.8
Men's and Boys' Wear	+14.3	+5.2	+2.9	-16.6
Boots and Shoes	+12.9	+0.6	-10.4	+2.0
Furnishing Departments	-13.6	-16.6	-20.6	-2.4
Hardware	-16.8	-6.6	-8.7	+29.5
Fancy Departments	-19.6	-18.5	-20.7	+0.4
Sports and Travel	+0.4	+3.1	+1.9	+7.8
Miscellaneous	+0.8	-0.7	-4.4	+1.5
Food and Perishables	+4.2	+5.9	+3.7	+44.1
Total	+2.7	+3.1	+0.4	+5.5

(b) Districts

Scotland	+3.4	+3.1	+0.7	+4.2
North-East	+2.7	+2.9	+0.4	+3.0
North-West	+1.9	-1.3	-0.6	+9.5
Midland and S. Wales	+2.9	+3.0	-0.8	+7.0
South-East	-2.0	-0.2	-4.2	+7.4
Central and West-End	+9.7	+11.4	+15.2	+11.3
London	+6.2	+10.7	+4.9	+1.9
Suburban London				

Source: Board of Trade Journal.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 1937	Aug. 1937	Sept. 1937	Sept. 1942	Sept. 1942
Cereals and Meat	93.0	66.9	100.5	109.3	108.6
Other Foods	70.4	61.1	98.4	102.6	106.6
Textiles	74.2	54.3	94.4	92.5	92.5
Minerals	113.2	95.4	129.2	137.2	137.2
Miscellaneous	87.0	77.6	113.0	120.9	121.1
Complete Index	87.2	70.3	107.1	112.2	112.2

* Highest level reached during 1932-37 recovery.

RETAIL FOOD PRICES.

	Sept. 1, 1939	Aug. 1, 1942	Sept. 1, 1942	Per cent increase since Sept. 1, 1939
Beef, British—				
Ribs	1 2 1/2	1 3 1/2	1 3 1/2	11
Thin flank	0 7 1/2	0 9 1/2	0 9 1/2	27
Beef, chilled or frozen				
Ribs	0 9 1/2	1 1 1/2	1 1 1/2	25
Thin flank	0 4 1/2	0 6 1/2	0 6 1/2	22
Mutton, British—				
Ribs	0 9 1/2	1 1 1/2	1 1 1/2	25
Thin flank	0 4 1/2	0 6 1/2	0 6 1/2	22
Mutton, frozen—				
Ribs	0 9 1/2	1 1 1/2	1 1 1/2	25
Thin flank	0 4 1/2	0 6 1/2	0 6 1/2	22
Bacon	0 10 1/2	1 1 1/2	1 1 1/2	16
Fish	0 1 3/4	0 4 1/4	0 4 1/4	16
Flour (per 7 lb.)	1 1 1/2	1 3 1/2	1 3 1/2	16
Bread (per 4 lb.)	0 8 1/2	0 8 1/2	0 8 1/2	16
Sugar (gran.)	2 4	2 5	2 5	4
Milk (per qt.)	0 3	0 3	0 3	0
Butter (salt)	0 6 1/2	0 8 1/2	0 8 1/2	27
Cheese	1 1 1/2	1 7	1 7	50
Margarine, special	0 10	1 1	1 1	10
Standard	0 6 1/2	0 9	0 9	36
Eggs, fresh (each)	0 2	0 1 1/2	0 1 1/2	12
Potatoes (per 7 lb.)	0 6 1/2	0 8 1/2	0 8 1/2	27

Source: Ministry of Labour Gazette.

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1941		Prices, Year 1942		Name of Security	Price, Sept. 29, 1942	Price, Oct. 6, 1942	Yield, Oct. 6, 1942	Prices, Year 1942		Last two Dividends		Name of Security	Price, Sept. 29, 1942	Price, Oct. 6, 1942	Yield, Oct. 6, 1942
High	Low	High	Low					Jan. 1 to Oct. 6	Jan. 1 to Oct. 6	High	Low				
82 1/2	76 1/2	83 1/2	82 1/2	British Funds	82 1/2	82 1/2	£ s. d.	46/9	41/3	4 1/2	4 1/2	Iron, Coal and Steel	46/9	46/9	4 1/2
113 1/2	110	113 1/2	111 1/2	Consols 2 1/2% (after 1957)	112 1/2	112 1/2	3 11 5/8	29 1/2	25 1/2	13 1/2	13 1/2	Babcock & Wilcox £1	45/9	45/9	6 11 0
100 1/2	98 1/2	100 1/2	99 1/2	Conv. 2 1/2% 1943-45	100 1/2	100 1/2	2 0 0	22 1/2	18 1/2	5 1/2	5 1/2	Bolsover Colliery Ord. £1	22/3	22/3	7 0 0
100 1/2	98 1/2	100 1/2	99 1/2	Conv. 2 1/2% 1944-49	100 1/2	100 1/2	2 8 0	20 1/2	14 1/2	7 1/2	7 1/2	Brown (John) Ord. 10/-	19/6	19/6	7 0 0
103 1/2	101 1/2	103 1/2	101 1/2	Conv. 3% 1948-53	102 1/2	102 1/2	2 12 0	27 1/2	20 1/2	4 1/2	4 1/2	Colvilles Ord. £1	26/7	26/7	7 8 0
106 1/2	104 1/2	106 1/2	105 1/2	Conv. 3 1/2% (after 1961)	107 1/2	107 1/2	3 5 3/8	30 1/2	25 1/2	7 1/2	7 1/2	Dorman Long Ord. £1	29/9	29/9	7 8 0
108 1/2	106 1/2	108 1/2	107 1/2	Conv. 5% 1944-64	103xd	103xd	3 6 1	49 1/2	41 1/2	12 1/2	12 1/2	Guest Keen & Co. Ord. £1	47/6	47/6	8 10 0
95 1/2	91 1/2	96 1/2	93 1/2	Funding 2 1/2% 1956-61	96	96	2 17 1/8	50 3/4	45 1/2	12 1/2	12 1/2	Hadfields Ord. 10/-	49/5	49/5	7 10 0
100 1/2	97 1/2	101 1/2	98 1/2	Funding 2 1/2% 1952-57	100 1/2	100 1/2	2 15 0	36 3/4	31 1/2	5 1/2	5 1/2	Staveley Coal Ord. £1	36/1	36/1	5 11 0
100 1/2	98 1/2	101 1/2	99 1/2	Funding 3% 1959-69	100 1/2	100 1/2	2 18 9	7 1/2	5 1/2	Nil c	Nil c	Stewart & Sons Ord. £1	67 1/2	67 1/2	4 9 4
101 1/2	98 1/2	101 1/2	99 1/2	Funding 4% 1960-90	104xd	104xd	2 18 10	24 3/4	21 1/2	2 1/2	2 1/2	Thames Hunter Ord. £1	23/9xd	24/1	6 13 4
100 1/2	101 1/2	99 1/2	100 1/2	Nat. Def. 2 1/2% 1944-48	101 1/2	101 1/2	2 5 0	18 1/2	15 1/2	6 1/2	4 1/2	Thomas (Richard) Ord. 6/8	17/3xd	17/9	5 12 3
100 1/2	100 1/2	100 1/2	100 1/2	Nat. Def. 3% 1954-58	102 1/2	102 1/2	2 16 1					United Steel Ord. £1			
99 1/2	101 1/2	99 1/2	100 1/2	War Bonds 2 1/2% 1945-47	100 1/2	100 1/2	2 19 8	14 1/2	7 1/2	Nil c	Nil c	Vickers Ord. 10/-	13/1	13/1	Nil
100 1/2	101 1/2	99 1/2	100 1/2	War Bonds 2 1/2% 1948-48	100 1/2	100 1/2	2 19 8	13 1/2	6 1/2	Nil c	Nil c		13/9	13/9	Nil
100 1/2	101 1/2	100 1/2	100 1/2	Savings Bds. 3% 1955-65	100 1/2	100 1/2	2 18 9	40 3/4	33 1/2	3 1/2	3 1/2	Bradford Dymers Ord. £1	39/1	40/3	4 0 0
110 1/2	115 1/2	112 1/2	112 1/2	Victory Bonds 4%	114 1/2	114 1/2	2 18 9	42 1/2	31 1/2	2 1/2	2 1/2	British Celanese Ord. 10/-	41/1	41/3	3 12 6
100 1/2	103 1/2	100 1/2	100 1/2	War Loan 3% 1955-59	101 1/2	101 1/2	2 16 8	14 1/2	11 1/2	Nil c	3 1/2	Coats, J. & P. Ord. £1	13/6	14/6	4 2 6
100 1/2	106 1/2	104 1/2	104 1/2	War Loan 3 1/2% att. 1952	106 1/2	106 1/2	3 5 6 1/8	31 1/2	22 1/2	7 1/2	7 1/2	Crompton Pauls Ord. £1	30/6	31/1	4 16 3
89 1/2	97 1/2	95 1/2	95 1/2	Local Loans 3%	99 1/2	99 1/2	3 0 10	74 1/2	71 1/2	5 1/2	10 1/2	Fine Cotton Spinners £1	30/6	31/1	4 16 3
93 1/2	101 1/2	101 1/2	101 1/2	Redemption 3% 1986-96	99 1/2	99 1/2	3 0 0	24 1/2	20 1/2	12 1/2	7 1/2	Lancs. Cotton Corp. £1	73/9	74/1	4 1 0
100 1/2	101 1/2	101 1/2	101 1/2	Austria 3% 1933-53	101 1/2	101 1/2	3 0 0	24 1/2	20 1/2	12 1/2	7 1/2	Callenders Cable, &c.	23/9	24/1	4 3 0
101 1/2	102 1/2	101 1/2	101 1/2	Dom. & Col. Govts.	101 1/2	101 1/2	4 16 0	42 1/2	37 1/2	10 1/2	10 1/2	Crompton Pauls, A. 5/-	42/1	42/1	4 15 0
100 1/2	102 1/2	100 1/2	100 1/2	Australia 5% 1945-75	101 1/2	101 1/2	4 16 0	84 3/4	78 1/4	17 1/2	17 1/2	English Electric Ord. £1	82/1	82/1	4 4 0
100 1/2	102 1/2	100 1/2	100 1/2	New Zealand 5% 1946	101 1/2	101 1/2	4 18 0					General Electric Ord. £1	82/1	82/1	4 4 0
100 1/2	102 1/2	100 1/2	100 1/2	Nigeria 5% 1950-60	109 1/2	109 1/2	3 13 8	38/9	34/6	5 1/2	3 1/2	Gas and Electricity	36/1	36/6	4 7 9
10 1/2	108 1/2	105 1/2	105 1/2	Corporation Stocks	106 1/2	106 1/2	3 4 6	14 7/2	12 1/2	Nil c	Nil c	County of London £1	13/9	14/1	Nil
88 1/2	97 1/2	93 1/2	93 1/2	Birmingham 5% 1946-56	106 1/2	106 1/2	3 4 6	32/6	29/4	4 1/2	4 1/2	Gas Light & Coke Ord. £1	30/6	30/6	4 11 9
93 1/2	99 1/2	98 1/2	98 1/2	L.C.C. 3%	96 1/2	96 1/2	3 2 6	40 1/2	37 1/4	5 1/2	5 1/2	North-East Electric £1	38/1	38/1	4 0 0
100 1/2	106 1/2	104 1/2	104 1/2	Liverpool 3% 1956-67	99 1/2	99 1/2	3 2 3	40/6	39/1	5 1/2	5 1/2	Scottish Power Ord. £1	38/1	38/1	4 0 0
77 1/2	102 1/2	97 1/2	97 1/2	Middlesex 3% 1957-62	104 1/2	104 1/2	3 2 3	17/6	15/1	10 1/2	10 1/2	Yonshire Electric £1	39/1	40/1	4 0 0
31 1/2	64 1/2	46 1/2	46 1/2	Foreign Governments	100 1/2	100 1/2	4 10 6	25/3	20 1/2	7 1/2	7 1/2	Motor and Aircraft	16/4	16/6	3 30 3
11 1/2	33 1/2	23 1/2	23 1/2	Argentina 4 1/2% Stg. Bds.	100 1/2	100 1/2	4 10 6	25/3	20 1/2	7 1/2	7 1/2	Austin 'A' Ord. 5/-	24/6	24/6	6 1 3
71 1/2	95 1/2	70 1/2	70 1/2	Brazil 5% Funding 1914	60 1/2	58 1/2	4 6 2p	14/9	9/3	6 1/2	6 1/2	B.S.A. Ord. £1	13/9	13/9	7 5 3
58 1/2	76 1/2	70 1/2	70 1/2	Chile 6% (1929)	32 1/2	33 1/2	4 10 11 1/2	17/3	11/9	11 1/2	11 1/2	Bristol Aeroplane 10/-	16/9	17/1	4 14 0
27 1/2	51 1/2	33 1/2	33 1/2	Egypt Unified 4%	91 1/2	94 1/2	4 4 8	30/3	24/1	3 1/2	3 1/2	Fairey Aviation Ord. 10/-	29/6	30/3	3 18 0
				Portuguese 3%	87 1/2	87 1/2	3 9 0	71/3	65/10	11 1/2	11 1/2	Ford Motors Ord. 5/-	17/6	17/6	9 5 9
				Spanish 4%	50 1/2	50 1/2	7 18 6	96/3	82/6	20 1/2	20 1/2	Lucas (Joseph) Ord. £1	34/1	34/1	2 8 6
												Morris Motors Ord. £1	95/1	95/1	4 4 0
												Rolls-Royce Ord. £1	95/1	95/1	4 4 0
												Shipping			
												Cunard Steamship Ord. £1	19/9	19/6	Nil
												Furness, Withy Ord. £1	24/3	24/3	4 19 0
												P. & O. Def. £1	32/6	32/6	4 18 3
												Royal Mail Lines Ord. £1	24/6	24/6	4 18 0
												United Castle Ord. £1	19/1	19/1	5 5 0
												Tea and Rubber			
												Allied Sumatra Rbr. £1	6/3	6/6	Nil
												Anglo-Dutch of Java £1	10/3	10/9	3 14 6
												Jokai (Assam) Tea £1	27/6	28/1	7 6 9
												Yonshire Rubber £1	1/3	1/4	14 10 9
												Rubber Plus, Trust £1	14/1	14/9	4 1 0
												United Serdang Rbr. 2/-	1/1	1/3	Nil
												Oil			
												Anglo-Iranian Ord. £1	55/1	55/7	2 12 0
												Burmah Oil Ord. £1	39/4	41/10	6 0 0
												Shell Transport Ord. £1	53/1	53/9	1 17 0
												Trinidad Leaseholds £1	72/6	72/6	4 2 9
												Miscellaneous			
												Assoc. P. Cement Ord. £1	52/6	55/1	3 5 6
												Barker (John) Ord. £1	48/1	49/1	3 1 0
												Boots Pure Drug Ord. 5/-	37/3	37/6	4 4 0
												British American Tobacco £1	81/3	85/3	3 7 8
												British Oxygen Ord. £1	68/9	72/6	3 17 0
												Cable & Wir. Hdg. Stk.	66	67 1/2	5 17 0
												Carreras 'A' Ord. £1	115/1	120/1	4 14 6
												Dunlop Rubber Ord. £1	30/6	30/6	5 4 9
												Elec. & Mus. Ind. 10/-	17/8	18/1	3 6 9
												Gestetner (D.) 5/-	25/1	25/6	4 18 0
												Harrisons & Cros. Def. £1	42/3	45/1	8 17 0
												Imperial Chemical Ord. £1	33/9	34/1	4 12 0
												Imperial Tobacco Ord. £1	44 1/2	44 1/2	4 9 0
												Levenson & Unilever Ord. £1	30/1	30/7	3 5 0
												London Brick Ord. £1	51/3	51/3	3 18 0
												Marks & Spencer 'A' 5/-	39/1	41/1	4 2 9
												Murex £1 Ord.	96/8	98/9xd	4 1 0
												Pinchin Johnson Ord. 10/-	27/6	27/6	3 1 9
												Spillers Ord. £1	62/6xd	62/6	4 16 3
												Tate and Lyle Ord. £1	55/6	56/6	4 16 3
												Triplex Safety Glass £1	30/9	30/9	3 5 0
												Turner & Newall Ord. £1	70/1	72/6	3 8 6
												Union City 12/6 ty. pd.	5 1/2	5 1/2	5 16 0
												W. W. Watersand 10/-	5 1/2	5 1/2	Nil
												Mines			
												Ashanti Goldfields Ord. 4/-	43/9	46/3	8 12 0
												Burma Corp. Ord. Rs. 9	4/6	4/6	5 0 0
												De Beers (Def.) £2	40/1	40/1	5 0 0
												Randfontein Ord. £1	35/1	34/4	11 18 0
												Rhokana Corp. Ord. £1	7 1/2	7 1/2	2 2 0
												Roan Antelope Corp. 5/-	13/9	14/1	3 10 6
												Sun Nigel Ord. 10/-	6 1/2	6 1/2	9 13 9
												Union City 12/6 ty. pd.	5 1/2	5 1/2	5 16 0
												W. W. Watersand 10/-	5 1/2	5 1/2	Nil

(b) Interim div. (c) Final div. (d) Last two yearly div. (e) Includes 24% not subject to tax. Yield basis 25%. (f) Allow for exchange. (g) Flat yield. (h) Annual share. (i) Yield to average red.-end 1960. (j) Based on par 1946. (k) Yield 1.55% basis. (l) Yield 2 1/2% basis. (m) Yield basis 40%.

(Continued from page 465)

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Oct. 3rd and Oct. 9th. (Figures in brackets are par of exchange.)

United States. \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4-86½) 4-45-47; mail transfers 4-45-47½. **Switzerland.** Francs (25-22½) 17-30-40. **Sweden.** Krona (18-150) 16-85-95. **Argentina.** Peso (11-45) 16-95½-17-13; mail transfers 16-95½-17-15. **British West Indies.** Florin (12-11) 7-58-62; mail transfers 7-58-64. **Portugal.** Escudo's (110) 99-80-100-20. **Panama.** \$ (4-02-04) 4-02-04½; mail transfers 4-02-04½.

Fixed Rates for Payment at Bank of England for Clearing Offices.—Spain. Peseta (25-22½) 40-50 (Official rate); 45-55 (Voluntary rate). **Turkey.** Piastres (110) 620. **Italy.** 71-25 lire.

Market Rates.—The following rates remained unchanged between Oct. 3rd and Oct. 9th.

Egypt. Piastres (97½) 97½-1. **India.** Rupee (18d. per rupee) 17½-18½d. **Belgian Congo.** Francs 176½-1. **China.** National \$ 2½-3½d.

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

Forward Rates.—Forward rates for one month have remained unchanged as follows:—**United States.** ½ cent pm.-par. **Canada.** ½ cent pm.-par. **Switzerland.** 3 cents pm.-par. **Sweden.** 3 ore pm.-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Oct. 3rd and Oct. 9th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates 1%. Discount deposit at call 1%; at notice 1%.

NEW YORK EXCHANGE RATES

New York on	Sept. 30	Oct. 1	Oct. 2	Oct. 3	Oct. 5	Oct. 6
Cables:—	Cents	Cents	Cents	Cents	Cents	Cents
London	403½	403	403½	403½	403½	403½
Montreal	87-500	87-250	87-625	87-500	87-375	87-000
Zurich	23-30	23-30	23-30	23-30	23-30	23-30
B. Aires	23-30	23-70	23-70	23-70	23-70	23-68
Brazil	5-14	5-14	5-14	5-14	5-14	5-14

* Official rate 29-73. † Commercial Bills.

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Plainspoken Truth

IT is the view of the editors of *Life* that the best way to secure an all-out concerted effort among the United Nations is for each of them to express its opinions "frankly and forthrightly"; the best weapon in the armoury of alliance, they say, is "plainspoken truth, however painful." This is well said. No believer in the alliance of free peoples for common ends will deny it. But the first requisite of such frankness is that the plain speech should be true. The trouble about *Life's* open letter to the people of Great Britain, which has caused such a furore, is that its allegations against British Imperialism are vague, ill-informed and misleading.

It can, of course, be agreed, as *Life* states, that the American people are not fighting to hold the British Empire together. But it is hard to see what evidence there is for the suggestion that British strategists are planning the war to hold the British Empire together "at the expense of a United Nations victory"—and to the detriment of a Second Front. Indeed, the cause of the United Nations has been much more adversely affected by the failure to hold the Empire together than by any determination to hold it together at all costs. Would it have been better for the United Nations if Britain had left all the parts of the Empire to be occupied by the enemy? Will China be aided if India is abandoned and a decision made not to retake Burma? Would the United States have been best served if Australia had been given over to the Japanese? Perhaps the

critics have the Middle East in mind. Perhaps it is their view that the abandonment of North Africa, the Suez Canal and the Middle East would, in some subtle way, have been of advantage to the other United Nations—including Russia.

It may be that the basis of their doubts lies in their reference to India. They fail to see that "the British solution provides any evidence of principles of any kind." They add, hotly, "In the light of what you are doing in India, how do you expect us to talk about principles and look our soldiers in the eye?" A lot has happened in India since the Cripps offer was made, and perhaps busy American journalists have little time to turn back to the details of that offer. If they did, they would see that what the British Government in fact offered then was a blank cheque to the politicians of India to settle the destiny of their own country in their own way, uninhibited (it should be noted) by any considerations of Britain's financial interests there. The only reservation which was made was one with which, according to the aims set out in their letter, the editors of *Life* would surely agree—namely, that the defence of India within the framework of the strategy of the United Nations should be safeguarded. It is, of course, true that stalemate has come again in India. It is natural that Americans, traditionally distrustful of empires, should ask, as many people in this country are asking, whether the British Government has given up its search for ways

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Dated, Alexandria, Egypt, the 1st October, 1942.
By Order of the Board,
T. D. KEY,
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and means of translating the principles of the Cripps's offer—which were, after all, no more than the principles of British Imperial growth—into practice. As Sir George Schuster wrote in a letter to the *Times* on Wednesday:

... the worst weakness has been the failure to give adequate attention to what we ought now to do. We cannot allow the rightness of our present course to rest on our own record in past centuries or on the wrongness of our political opponents. We need a positive line of action now and for the future.

There has been a sad weakness in policy, but not a denial of principle. To quote Sir George Schuster again—

We claim, unanswerably as I believe, that we cannot, without the betrayal of right principles or the risk of chaos, hand over full constitutional responsibility to Indian Ministers, except on the foundation of a balanced constitution agreed upon among the main elements in India. ... But have we gone as far as we could to set up and strengthen a genuine Indian Government? Have we given right and inspiring leadership in war? ... British leadership must be conceived in a new way. The old ritual and stiff-necked officialism are out of place.

That the ghost of an old Imperial attitude still walks in India—as it does among British settlers in some of the colonies—is, indeed, true. That this attitude, or the older attitude of exploitation, is still the principle of British policy towards India or the colonies, or of the outlook of the British people upon the Empire, is wholly false.

No honest man would wish to gloss over the neglect of Imperial development which has been a fault of British Parliaments for more than a generation, or to deny the fact that progress towards self-government in many parts of the Empire has been over-laggardly. But this progress towards self-government remains the characteristic feature which distinguishes the British Empire from all other empires in history, past or present; and the cheapness and scale of, say, the economic development of India will more than bear contrast with investment in any other backward region of the earth. Like the United States, the British Dominions began as colonies; now they are free nations on the same footing as the United States themselves. For all the unrest and friction which have marked the last generation in Indian history, a remarkable advance has been made towards handing over the government and administration of India into Indian hands. Indian opinion, for instance, has dictated Indian fiscal policy, to the peculiar detriment of British trade, for twenty years. The present position is that the Indians themselves, by their unwillingness to assume the responsibility of mutual agreement, have refused the crown; and it is probably true to say that they have refused it because they know, unlike the editors of *Life*, that they will be given it in the end.

The main feature of British Imperialism, in fact, is that it does not exist. Serious neglect there has been of the economic development and welfare of certain colonies; but it has been due, not to any spirit of Imperialist exploitation, but simply to indifference and neglect. History has come round in a cycle. Now, as a hundred years ago, the people of this country are not interested in the Empire. It is a melancholy fact that the Imperial disasters in the Far East which ushered in this year hardly touched the mind of the British people at all, though for a space it troubled the heart. There is hardly a voice lifted anywhere—in spite of the strategic and economic issues involved—for the retention of any part of the Empire "in subjection" any longer. The people of this country may well be blamed for being Little Englanders, but certainly not for being Imperialists.

The editors of *Life*, then, have been misinformed. It may be, of course, that they had in mind the argument that, if the people of Malaya or of Burma had been given their "freedom" at some earlier date, these countries would not have fallen to the Japanese. But, surely, this is quite erroneous. Much more might indeed have been done to gain the goodwill of these peoples. The reasons for Japan's successes were military, not political. The greatest virtue and strength of

the British Empire was the security which it provided for all its parts by maintaining the *Pax Britannica*; and Malaya and Burma fell, the Indies fell and India and Australia were threatened, first because the British—and American—navies lost control of the eastern seas; and, secondly, because the British air and land defences were grossly unready and insufficient.

The American Century?

Britain and the United States have a common task to perform now and after the war. It is their immediate responsibility, as General Smuts said on his arrival in London, to prevent the war

from dragging on endlessly to the destruction of all the material apparatus of civilisation.

And it is their ultimate duty to organise and extend that apparatus for the benefit of all peoples. The leadership in this mission can be America's. There is a sense in which, because of the size and strength and wealth of the United States, this must be the American Century. It was the firm belief, not only of President Wilson, but also of so staunch and clear-sighted a friend of Britain as Walter Hines Page, that the right result of the last war would have been American leadership. The chance was spurned. Now the door is open again, and it is the world's need, that Britain and the United States should march through together, shouldering their responsibilities, with no narrow thoughts of prestige or precedence. To set the concept of the American Century, which has still to be understood, accepted and carried by the American people, in flat opposition to a concept of British Imperialism which is pure myth is sabotage. It is indeed of paramount importance that the two countries and the two peoples should define, not only the points of policy upon which they both agree, but also those upon which they differ. But in hammering out the right lines of their common effort they must stick to the facts. It was not to British Imperialism that President Roosevelt was referring when he said last week

In a free world, no nation must be enslaved by a race, nation or group, which calls itself a master people and demands by force or aggression the fruits of another's labour.

There is not a word in this that would not be endorsed by an overwhelming majority of the British people.

All men and all peoples must have certain rights. They must have the right to produce to the fullest extent commensurate with their ability the things they are best able to produce. This means equality of access to materials and to capital. They must have a free choice of what they will produce, governed solely by sound economic principles and a due regard for the welfare of others. Each country must have the right to exchange its own products for things which it needs and wants and which other countries can produce better than it.

There the President's message stated the plain foundations of economic freedom. Mr Sumner Welles carried the agenda still further:

The real problem of consumers is, and always has been, the means of payment. At the end of the war, the world will be impoverished and the immediate means of payment will not be visible, which will mean large and long-term financing. The United Nations must arrange this, but when the payment finally comes to be made, it can only be in goods and services. There is no other way, and those who expect to export must take the world's goods and services in payment.

The main need of all backward countries for whose interests *Life* is so rightly, if so wrongheadedly, concerned is for the development of their power to produce and trade, and the recognition of their right to self-rule. There is nothing in any programme which is likely to find support in this country that would bar the way to the growth of China, India and all the colonies to economic independence; and there is certainly no party in the state which would support the kind of Imperialist exploitation which *Life*, like the *Daily Worker* in an earlier incarnation, takes so mischievously for granted.

War of Nerves

THERE is a danger that the working people of this country may be brought into a disrepute that they do not deserve. A painful light has beaten lately on the prevalence of absenteeism in the coal pits and on a feckless strike in the Tyneside shipyards, which has now been happily settled. An impression is spreading among the general public that a substantial proportion of war workers are heedless of their responsibilities and lacking in discipline; and it is urgent, in the interests alike of the war effort and the workers themselves, that this impression should be dissipated. There is no more important task for Mr Bevin and Sir Walter Citrine to perform.

It is first of all important that these incidents should be seen in their true perspective. An outstanding feature of this war, compared with any previous period of high industrial activity, whether in peacetime or in wartime, has been the fewness of labour disputes. Set against the experience of the last war, the contrast is between turbulence and tranquillity. The causes of this remarkable industrial peace have been several. In the first place, the nation has never been less factious. In the second, this solidarity has been reflected in the actual organisation of the war effort. There is no doubt that the appointment of Mr Bevin to be Minister of Labour in 1940 was a stroke of practical commonsense; and, even before Mr Churchill made his new dispositions, the trade union movement had been harnessed to the conduct of the war by continuous consultation. The results of this alliance have been impressive. On the one hand, only a minute proportion of hours have been lost by strikes during the three years of war. On the other, after working through the ordeal of bombing and the trials of overwork, rationing and the discomforts of wartime living, the workers of this country have now succeeded in producing more war material per head than the labour force of any other belligerent country.

Why then is there this present doubt? Undeniably, there are signs of restlessness. Nor is this really surprising. The workers in collieries, shipyards, factories and workshops only differ from other citizens in their rates of pay and conditions of employment. They are no more and no less human than the millions of their fellow citizens who are engaged in other work. Three years of war is a long time. Mr Churchill put his finger on a crucial point when he spoke at Edinburgh last Monday. "The excitement and the emotion of those great days when we stood alone, undaunted against what seemed overwhelming odds, and singlehanded saved the future of the world, are not present now." War is humdrum, and material rewards grow smaller as the change-over to total war effort proceeds. It is recognised that members

of the fighting Services, who remain inactive, may be preyed to boredom. Waiting is hard, and impatience for action and the end of fighting can be potent breeders of frustration and restlessness. War workers are no more alone than members of the Services in the tendency to be "browned-off." Many employers have discovered the same mood, exacerbated by the frictions and delays of wartime administration. There are civil servants who have been made cynical by the little worth of what they do and its small result. There are journalists who are chronically jaundiced by their wartime experience. It would be unfair to single out this or that section of society for special blame because of its frailty under wartime strains.

Nevertheless, it is not enough simply to explain the ragged edges of public feeling by reference to these psychological causes. The question is whether much more could be done to minimise their effects by policy and organisation—and by leadership. The employer or the civil servant who feels himself frustrated has sometimes good ground for his querulousness in the unwieldy and often formless system of administration of which he is part. The method of collaboration by which organised labour has been made part of the war machine has its defects as well as its advantages. In essence, it is a system of checks and balances, an alliance between all the partners in industry, labour, employers and the state, designed to work out policy in practice by agreement rather than by rules and orders imposed from outside. Its linchpin is Mr Bevin, trade union leader and member of the War Cabinet; and its successes have been many. Morale and discipline under authoritarian rules are worse, not better. Its disadvantage is the absence of authority and discipline when it fails to work. It has not been possible, for instance, to work out an agreed policy for the restraint of money wages, a shortcoming which may still redound seriously against the real interests of a large section of the wage earners themselves. Nor has it been possible to prevent an outcrop of illegal strikes, negligible no doubt so far, but significant and invested with an entirely disproportionate political importance. The chief feature of the recent eight-day strike on Tyneside was the helplessness of both trade unions and the Government, who both condemned the strike, to prevent it. Neither the trade unions themselves nor the Government have been able to cope with absenteeism in the coal industry. Authority has a habit of faltering at crucial moments.

There are many employers who would go still farther in their criticism. They would argue that the main evidence of this absence of authority is not the occasional irresponsible strike but the laxity of discipline among



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their staffs from day to day. They contend that, unable to dismiss their men for misconduct or bad work, they cannot ensure efficiency; and they complain that the officers of the Ministry of Labour, to whom the sanction for discipline has been transferred, have in fact no more authority than they. Such an indictment may go too far. It does not recognise truly the mixed character of the wartime labour force, and the peculiar stresses of work in wartime. It does not do justice to the extent to which the trade unions have abandoned their pre-war rights and standards. It certainly does not square with the vast output which has in fact been achieved. Nevertheless, the charge has substance. Wartime compromise works where there is agreement and responsibility among all the parties concerned—employers and Government officials, no less than workmen. It breaks down when agreement and responsibility are lacking. The complaints which have come from the coal industry and from Tyneside are straws in the wind. They are signs to the trade unions, to the Government and to the employers of labour

that their leadership is on trial. The "excitement and emotion" of 1940 have gone. There are small restless groups here and there, some with a vested interest in agitation, others with a permanent twist towards discontent, and others still with a genuine impatience at the futilities and inefficiencies which are still to be found in the running of wartime production, who are challenging authority. The answer is twofold: first, to insist that the agreed policy of the trade unions and the Government shall be enforced and respected in every work place—needless absenteeism in the coalmines, for instance, must obviously be stopped forthwith; and, secondly, to leave no step untaken to remove genuine grievances, financial, administrative and technical, which add fuel to impatience and resentment. Always, the story is the same—the need for men of authority in key positions with the right policy, democratically decided, and with power and the will to act. Without them, the war effort is a feather-bed, instead of being as it can be, a spring-board to triumph.

Full Employment: The Cost

TWO previous articles have outlined the policy that will have to be pursued to secure Full Employment. It was suggested that cyclical unemployment—by far the most important species of the genus—can best be remedied if the state would assume the responsibility of ensuring that the community spends on capital goods each year as much money as the public is trying to save. This policy is, of course, familiar by now; but the scale on which it should operate is less widely appreciated. If expenditure on the replacement and renewal of existing capital is included (as it must be), then the required expenditure on capital goods at the price-level and in the conditions of 1938 would be of the order of £1,200 millions a year. To name this figure is to show that the state cannot, in peacetime, accomplish the whole task. On the contrary, the main reliance of the whole policy must be on measures that will persuade individuals and corporate entities other than the state itself to expand and regularise their capital expenditure. But when it has done as much as it can by persuasion and the inducement of others, the state must stand ready to close by its own expenditure any gap that may remain. This is the policy. It remains, in this final article, to estimate its chances of success and to enquire what risks and dangers it may run.

Fundamentally, there is only one thing that could prevent such a policy from being successful—that is, a shortage of projects of investment. It has already been suggested that there is a tendency for a modern community to save more than it can conveniently invest in physical wealth. Accordingly, as a long-term policy (not merely in bad years), it will be right from now on to lay emphasis on consumption rather than on thrift. But though there may be a limit to what can conveniently be invested within the present institutional framework, it is ridiculous to suggest that there is a limit to what can possibly be invested. To maintain that would be to believe that the machine has exhausted its usefulness to mankind. To do no more than equip the whole community with the machines already invented would provide Full Employment for decades to come, even if the process of invention were to stop to-day. There need be no fear on this score.

A more reasonable apprehension is that only the state will have the resources to engage in the necessary volume of investment, and that the policy of leaving as much as possible to other agencies may prove to be unworkable. This would be unfortunate and, for a democracy, might prove to be disastrous. The reasons for keeping the rôle of the state as small as possible (to repeat) are twofold. Large-scale state financing of investment involves the stability of the monetary system; and a gradual spreading of state control, by way of capital investment, into every corner of the economic system puts the whole community

at the mercy of any political adventurer who can capture the political machine. Let there by all means be public ownership and collective control, but exercised by agencies other than the state itself. If a Full Employment policy were to lead to the very rapid growth of economic control by the state (which in this context must mean the central bureaucracy, since it depends on the financing power of the Treasury), there would be cause for alarm. This is the political risk inherent in a Full Employment policy, and it needs to be very carefully watched. The remedy is to execute as much as possible of the policy through private individuals, private corporations and publicly-owned bodies which are not financially dependent on the state. Fortunately there is good reason to believe that this can be done. If self-supporting business (private or public) can be assured of low interest rates and of freedom from the risk of cyclical depression, there is no reason to believe that, in most years at least, it will not freely engage in as much investment as is required. The control of that investment by the state will be necessary—but that is a different and much less dangerous matter.

The second risk is the monetary one. The ultimate reliance of the policy is on expenditure by the state and, however great the stimulus to private business, there is likely to be a considerable volume of state investment, especially in years that threaten to be bad. State investment, especially if it is large, almost inevitably leads to the expansion of bank credit—that is, to the creation of money. The question must therefore be asked whether a policy which envisages the periodical creation of what may be large amounts of new money may not lead to monetary instability, which would not only be undesirable in itself but also, by deranging the relationship between costs and prices, would defeat the main object of keeping the national economy in balance. Economic thought has moved a long way from the days when it was believed that the price level depended rigidly and immediately on the quantity of money in circulation. It has been proved several times in the last quarter of a century that very substantial amounts of money can be created, especially in depression years, without any effect on the value of money. But there must be a limit somewhere. It is difficult to imagine a policy of creating large amounts of money at frequent intervals without the money thus created being sometimes used by the public to bid up prices and engender the sort of inflation that would shatter all hopes of stability. Nor will it be of any use, on such occasions, to put into force the purely monetary controls that are familiar in the text-books—restriction of credit and raising of interest rates. They will work; many an inflationary bubble has been pricked in those ways; but the trouble is that they will work too well and, in preventing an inflation, will precipitate a deflation.

The problem is whether a policy which deliberately runs the risk of inflation can avoid it without going to the opposite extreme. The answer cannot be given with any assurance. But the development of new techniques of control holds out considerable hope. The old monetary techniques were too indirect, too blunt in their action. By a direct, physical control of all investment, it should be possible to avoid any excess, without there being any necessity for recourse to deflation-provoking measures such as high interest rates. If this succeeds, if the trade cycle can be stabilised at its top, a period of money-creation should be followed by one in which it is possible to convert the excess money-holdings of the public into long-term debt of the state. This is, of course, only to change the problem from a monetary one to one of the national debt—since it is most unlikely that the state will be able to pay off debt as rapidly as it is created. But the national debt, like the poor (or perhaps as an alternative to the poor), we have always with us. It will require a solution; but if, as seems likely, its nominal amount is nearly £20,000 millions at the end of this war, the amounts likely to be added by a Full Employment policy will not change the nature of the problem. In any case, in a regime of low interest rates and high income taxes and death duties, there is no need to be alarmed about the national debt.

There are, then, grounds for hoping that a Full Employment policy could be pursued without its defeating itself through severe monetary disturbance. But the danger remains, and some instability in the value of money may have to be accepted as the price of stability of employment.

The third danger is the international one. A Full Employment policy could hardly be carried out without fairly far-reaching control over international trade and exchange. It would be necessary to prevent a flight of capital; it would be impossible to regulate interest rates or credit policy by considerations of the balance of payments; the repercussions of severe crises in other countries would have to be guarded against. It is necessary to beware of a misunderstanding of these requirements. There is nothing in a Full Employment policy which contravenes the desire for a large, expanding volume of international trade, or which stands in the way of that international division of labour on which the prosperity of all nations (most of all that of Britain) depends. On the contrary, no nation can render a greater service to international trade than to keep its own purchasing power at a maximum. Depressions are worse saboteurs of international trade than any tariffs or quotas. Full Employment is not hostile to an expanding or even to a liberal system of foreign trade. But it is incompatible with the automatic techniques of the free market. It requires the working out of devices by which international trade can be kept under control without

being restricted. There is no reason why these devices should not be worked out. But it has not yet been accomplished, and until it has, the danger will remain that the attempt to secure Full Employment at home will lead to, and be frustrated by, economic strife abroad.

The fourth danger is akin to the third, but of much wider application. There is a risk lest Full Employment should lead to economic ossification. Depressions, like wars, play their part in progress. It is no complete answer to say that the weeding done by depressions or wars is cruel and haphazard—it is no answer at all until some other form of weeding can be devised, for otherwise the garden will choke. If industry and commerce are to be relieved of the haphazard risk of cyclical depression, there is all the more reason for insisting on the necessity for the maximum volume of healthy free competition within the community. The nearer the approach to Full Employment, the greater will be this necessity. Within the sphere of privately-owned business, the demand for competition should be more insistent (and more readily granted) the closer the approximation to conditions of stable prosperity. Within the sphere of collective enterprise, the need for competition is even greater; there is no reason why public ownership should be synonymous with public monopoly.

Unfortunately, it is in this respect that the recent trend of public policy in this country gives most cause for alarm. Protection for the inefficient, stability for things as they are, restriction rather than expansion, cartels rather than competition—all these are the excusable by-products of a long period of endemic depression. But they have made a very strong impression on the patterns of political thinking, and there is no present sign of their being dislodged. It is necessary, therefore, to express the warning that Full Employment, if it is accompanied by these phenomena of economic feudalism, will be Full Employment at the cost of progress, Full Employment at the present unsatisfactory standard of living. Full Employment at the expense of welfare. The aim should be to abandon the restrictive controls, the protective barriers, as the need for them disappears. The method should be to lay down the unbreakable rule that the Full Employment policy is never, however tempting the circumstances, to be made the excuse for giving particular help to individual interests. But these things will require a revolution in the political order of the moment.

The difficulties of Full Employment are, then, not those of attaining it, but of the companions it will bring with it. There is good reason to believe that it can be secured without making the state totalitarian, without debauching the value of money, without causing strife abroad or stagnation at home. But these are affirmations of faith, not evidences of proof. One of the two main tasks of democratic statesmanship after the war will be to demonstrate their truth.

Hungarian Destiny

AMONG the satellite nations, Hungary has hitherto occupied a favourable position. Its territorial gains under the Vienna Awards of 1938 and 1940; its relative immunity from domestic interference; its satisfactory food position; and the not unduly exacting nature of the demands made on the country by the Russian war, all these have conspired until now to emphasise the profitability of the German connection. Compared with Italy and Finland, Hungary has so far undoubtedly obtained a very substantial *quid pro quo*, while the liberal tradition of one section of the land-owning class has helped to preserve some measure of political independence. Until recent weeks, the Magyar nation appeared superficially to be the most solid beneficiary under the New Order.

The latest reports of renewed German pressure on the Hungarian Government are, therefore, of particular interest. Once again, it is being emphasised how impossible it is to remain in German Europe, yet not of it. The

reports are interesting, too, because they shed a searching light on the essential nature of Hungarian maladjustment, and make it plainer than ever that the lasting solution of Hungary's territorial and minority problems is a far more complex matter than can be solved merely by unmaking the Treaty of Trianon. In its attempt to organise a stable Europe, the German Government has come face to face with the perpetual unrest in the Danube basin which centres round the Magyar people. Every month that passes makes it increasingly clear that the tolerance of a subsidiary *Herrenvolk* within the New Order is incompatible with the fullest exploitation of Hungary's satellite neighbours in Germany's interest. In particular, the friction between Hungary and Roumania has proved quite as durable and obstinate in the face of German arbitration as it was under the Trianon settlement.

The substance of the latest rumours is the suggestion that German favour has been transferred from Hungary

to Roumania in return for the greater enthusiasm of the latter for the Russian war, and to the smaller satellite states of Slovakia and Croatia. Some reports have even gone so far as to suggest that Hitler is contemplating a revision of the second Vienna Award of August 30, 1940, under which Hungary received northern Transylvania and three Szekler counties from Roumania. While it may be doubted whether actual revision is in question, Hungarian susceptibilities have certainly been unpleasantly aroused by the visits to Berlin of Mihai Antonescu and the Croatian Pavelitch at the end of September and by the elaborate statements in the Roumanian press of identity of interest with Croatia and Slovakia. A carefully fostered resurrection of the Little Entente structure is occurring, with the puppet states of Slovakia and Croatia deputising for Czechoslovakia and Yugoslavia. The pre-war diplomatic pattern in the Danube valley has apparently suffered only a very temporary eclipse, and its return exposes Hungary to more effective pressure than that which Budapest faced in the inter-war period, since the Reich is anxious and prepared to bolster Hungary's encircling successors more vigorously than was the French Republic—at least after the eclipse of M. Barthou.

From a distance, it is hardly possible to sift the accuracy of each of the rumours of German pressure. The causes of the deaths of Stefan Horthy and of the younger Count Karolyi remain a mystery; the possibility that the Germans will endeavour to impose their own candidate, the Archduke Albrecht of Habsburg, for the post of Deputy Regent, can only be tested by events; the suggestion that the Hungarian Prime Minister, Miklos Kallay, is to be replaced by the more collaborationist Imredy falls into the same category. The significance of the reports is that, in present circumstances, they sound plausible in Hungarian ears. Accompanied by higher demands for agricultural exports, for industrial and agricultural labourers and for more divisions for the eastern front, as well as by the news of the latest Hungarian casualties in the fighting round Voronezh, they have undoubtedly served to arouse fresh anxiety in the minds of the minority made up of the professional and land-owning classes. The optimism engendered by the steady territorial gains between autumn 1938, when Hungary received Ruthenia and part of Slovakia as a sequel to the Munich Agreement, and the spring of 1941, when by attacking Yugoslavia and adopting a formal alliance with the Reich, it acquired the South Province, has given way to a somewhat blank disillusionment. Hopes that alliance with the Axis would point the way to the return of the millenary frontiers have all but disappeared. It is generally realised that the limit of territorial expansion has been reached, even if a reversal is not already in progress. The plums from the Russian campaign—Bessarabia and Transdnistria—are falling to the Roumanians, who, with a more assiduous performance in the Ukraine and the Crimea, remain bereft of part of Transylvania. The Hungarians have lost in independence and integrity what they have gained in territory. And, in the last weeks, even their territorial gains have come to appear wholly insecure. Outside the existing frontiers there still reside, according to the claims of the leading paper, *Magyarország*, in mid-September, 1,500,000 persons of Magyar stock.

From the Hungarian standpoint, the most serious factor in the situation is probably the decline in bargaining power which has ensued since the conclusion of the alliance. Hard pressed for men and raw materials, the Germans know that surplus resources still exist in Hungary. Bread is rationed, but Hungary is still better off than the general run of satellites. Fats are rationed only in Budapest; meat is not rationed at all, though

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this may possibly be due to distribution difficulties. The increase in population brought about by the increase in territory, from some 9,000,000 in 1939 to some 14,700,000 according to the 1941 census, has sharply reduced the grain surplus which it is convenient for Hungary to export to Germany and Italy, and consequently increased the friction over economic questions. There has been considerable difficulty in introducing the modifications in Hungarian agriculture which Germany requires in order to integrate the Danube valley with the *Grossraumwirtschaft* as a whole, particularly over the increased production of oil seeds and soya beans. Meanwhile, the activities of the German minority, estimated by *Pesti Hirlap* in September to number some 900,000, but officially estimated by the *Volksbund* to number some 1,250,000, causes increasing anxiety; and, since it has been granted what are virtually extra-territorial rights, it has become an important pressure group. The Reich Government attempts to manipulate the political scene in Budapest both through the local *Volksgruppe* and through the various "Arrow Cross" Hungarian Nazi factions. The organ of the *Volksgruppe*, *Deutsche Zeitung*, has recently disavowed any anxiety on the part of the third party German minority for resettlement; and it is a fact that this minority has traditionally been a more contented element in Hungarian life than any minority with a contiguous national frontier. None the less, the anxiety remains that this compact foreign community, taking its orders from Berlin, might eventually opt for return to the Reich and that a certain loss of territory, for instance in the Burgenland, might ensue.

Hungary has, after all, made a bad bargain with its German masters; and its fortunes as a member of the New Order appear to be on the down grade. Propaganda uses the anti-communist line to render the war more acceptable, and there was a note of disquiet in the press after the dropping, in the course of the recent Soviet air raids, of leaflets written by Hungarian émigrés in Moscow. Official propaganda also plays upon Hungarian distaste for the French system of alliances during the inter-war period. But positive enthusiasm for the Axis cause is dwindling as it becomes plain that the set-up of central Europe has been very little altered by the change of mastery.

The lasting solution of Danubia's problems remains as elusive as ever. It has not been achieved, as some believed possible, by the minor revision of the Treaty of Trianon, involving a redrawing of the disputed frontiers where ethnographic considerations had been frankly sacrificed to strategic and economic factors. The successor puppet states remain, hostile and unneighbourly, on the fringe. The truth is that the principle of national determination, if applied to the centre of Europe, must leave substantial minorities on each side of every frontier. The Hungarian attitude, which demands the inclusion within the state of every Magyar island, must magnify the minority problem within Hungary, and minimise the possibility of solving it by assimilation. The only true alternative, the creation of a form of Danubian federation with a constitution on the Swiss model, is probably outside the realm of practical politics. This is certainly the case if, while the successor nations adhere to a democratic ideal, Hungary continues to be ruled by a landed oligarchy that land reform and liberal changes in the internal regime would ease the transition to a lasting settlement. But the essential problem remains national and not ideological. The present state of Hungary is clearly far worse than that which existed under the "dictated" peace of Trianon, and has the appearance of becoming still worse. It was perhaps necessary for the peace of Europe that the failure of the German solution, from the Hungarian standpoint, should be effectively demonstrated. The prospect of stability when the war is won depends on the extent to which Hungary—and its neighbours—accept the lesson of the past twenty years; that the only security lies in a good neighbour policy and collective determination to keep the peace.

NOTES OF THE WEEK

Queensberry Rules

Mr Churchill strongly deprecates any discussion of Germany's chaining of the Dieppe prisoners and of British counter-measures, "which might be prejudicial to the action of the protecting power [through whom the British Government has protested to the German Government] and consequently to the interests of the prisoners of war of both belligerent countries." As a result, all that can at the moment be said is that, on balance, thoughtful opinion, while recognising the strong emotional factors which cannot be ignored, seems opposed to a policy of reprisals. In any case, the most important aspect of the affair is not what measures should or should not be taken by Britain, but why Germany should ever have started it. Mr Churchill, in his speech at Edinburgh on Monday, declared that Hitler wanted to create a distraction, to divert men's eyes—German eyes—from the course of the Russian campaign. In this, the Nazis have achieved some success. The trumped-up charge, the British reply, the action and counter-action taken—all this takes up a great part of the official communiqués of the German High Command and quickly fills most of the newspapers. But there is probably a deeper and more ominous reason behind it all. In the same speech, Mr Churchill said that he had always expected that the war would become worse in severity "as the guilty Nazis feel the ring of doom remorselessly closing in upon them." Preparations for this have already been laid by the Nazis when they have accused the British of shooting sailors after their ship had been sunk; bombing hospitals and civilians, refusing water to German prisoners in Africa; and now tying prisoners' hands. Rommel, too, has added his quota to official propaganda; he has spoken of the British use in Africa of Maoris and headhunters, and has promised that these "unfair" methods would be counteracted. The Germans, in fact, are being prepared for an all-out war against the British—and Americans—with complete disregard for all conventions, the sort of war that was waged in Poland and is being waged in Russia, where the brutal acts of German soldiers were, and are, justified on the grounds of their racial superiority. The Nazis will keep the rules so long as their military campaigns are a walk-over. But once they meet determined resistance and, even more, when they are on the defensive, they will use every means to hand. For this the German public is now being prepared—in the same way as it was prepared for war, long before 1939. It was Frederick the Great who said, "as to war, it is a trade in which the least scruple would spoil everything."

Officers and Commissars

The decree of the Supreme Soviet abolishing the posts of the political commissars in the Red Army must have been a sensational surprise to the Russian public. During recent months and weeks, the Soviet press has laid great stress on the rôle of the political commissars in maintaining the morale of the fighting forces. During the critical periods of retreat, this year as well as last year, front-line reports frequently spoke of the commissar as intervening and retrieving difficult positions when the commanding officer had "lost his head." The new measure may, therefore, be interpreted as an expression of Soviet self-confidence; the fact that it has coincided with the favourable turn of events on the southern front is surely significant. But the abolition of political commissars must not be taken too literally. The functions of the political commissars have not been abolished. What has been changed is the name and status of the commissars inside the officers' corps. Henceforth, the commissars—now "political officers"—will be subordinate to the ordinary commanders as their assistants; formerly they were equal, if not superior. The dual nature of authority within the Red Army (a commander's order had no validity unless previously countersigned by the political commissar) has thus been eliminated. This will, no doubt, increase the coherence and *esprit de corps* of the commanding cadres which have been much renewed and rejuvenated in the course of the fighting. Those former political commissars who have acquired a wide military experience on the battlefield will themselves be transferred to commanding posts, after short courses of training. Thus, some gaps in the officers' corps, due to losses and casualties, will now be filled by new elements, and this is probably one of the main

motives behind the recent decree. Stalin has said that 200 ex-commissars will be promoted to the rank of regimental commanders (i.e., colonels), and 600 to the rank of battalion commanders (majors) after two months' training. This number of officers of these grades adds up to a commanding cadre for fifty divisions at least.

An Unsolved Problem

On May 13th last, Mr. Oliver Lyttelton, then President of the Board of Trade, appointed a committee to prepare a scheme for speeding-up the release of labour from the non-food retail trades as painlessly as possible and with due regard to the interests of consumers. Despite the urgency of the problem, the Committee took 13 months to prepare a draft scheme providing for the voluntary withdrawal of shopkeepers, to be financed by a levy on the turnover of those remaining in business. The scheme, discussed in *The Economist* on July 4th, encountered formidable opposition from organised sections of retail trade, and now, after a delay of nearly four months, it has been jettisoned. On Tuesday, Mr Dalton outlined his decision to approach the problem from a different angle. In the main, his new proposals are designed to secure the fair distribution of supplies between individual retailers and areas. While this is, of course, highly desirable, it should surely have been done as a matter of course much earlier in the war, irrespective of the need for concentration which arose 18 months ago. Secondly, Mr Dalton is to take steps to prevent a large number of the smaller shops from being squeezed out of business by guaranteeing them a percentage of their purchases in a standard year. This is frankly a concession to the "small man." There are, of course, many sound reasons—the need to disperse stocks, to ensure the maintenance of shopping facilities in rural areas and to economise transport—why an indiscriminate closing down of shops should be prevented. But the new policy goes further than this; it appears to make the retention of the small man a *sine qua non* of war economic policy, a limiting factor in war economy. The principle of compensation for retailers forced out of business through shortages of labour, supplies or customers has been rejected. Instead, retailers are to be kept in business, if possible; but, if they do fall into financial difficulties or are forced out of business, they are to be referred to the Liabilities (Wartime Adjustment) Act. The intention, presumably, is to maintain shopping facilities considered essential by the scaling down or suspension of the liabilities of traders threatened with bankruptcy and, in the case of those who have to close down, to prevent them from being made bankrupt. A register is to be established to "safeguard the interests" of such traders. Mr Dalton does recognise that retail trade will have to release additional labour, but the arrangements which are said to have been made for orderly withdrawal have not yet been published. In sum, Mr Dalton's proposals contain little that is new or should not have been done long ago. Final judgment will have to await the publication of further details. The proposals have little resemblance to the concentration schemes adopted in industry, which provide for compensation or profit sharing. The maintenance of retail turnover (in terms of value) this year has tended to slow down the contraction of shopping facilities. But, as Mr Dalton foresees, the need for the release of additional labour and the running down of supplies may soon end the reprieve; many traders may be forced out of business next year, unless of course the decision to keep small men in business is intended to override considerations of war economy altogether; and the only remedy which is offered them will be the Liabilities (Wartime Adjustment) Act. It seems likely that in 1943, as in 1942, 1941, and 1940, the war plan for retail trade, which has not yet been forthcoming, will still be needed.

Wanted: A Policy

The position of Sir William Jowett since he was appointed six months ago to concern himself with planning has been anomalous and difficult. He has had no clear authority and no defined responsibility. He has been sur-

rounded by established departments with their own prestige and prepossessions. Now, he has been given his chance—it is said by the personal wish of the Prime Minister. The Scott and Uthwatt Reports have been referred to him, presumably to prepare recommendations for a plan and a policy. It is imperative that he should work fast. Two things are needed: first, a central planning authority with positive powers; and, secondly, a planning policy which that authority can apply. These needs are underlined by the uncertainty which obscures the problems of the blitzed towns as they consider their reconstruction. Professor Abercrombie, it is reported, is preparing a plan for Greater London, and an exhibition is being held of the New London which the best architects and traffic engineers would like to see. But none of these plans or problems can be settled until a national policy has been decided upon and made known. London cannot be replanned until it is learnt whether or not the Government is prepared to accept the recommendations of the Barlow Commission on the control of industrial location and land development; even Greater London is part of a larger whole. The blitzed towns cannot make ready their plans until the finance of physical reconstruction has been settled. Lord Keynes has told the London planners that they need not worry about money. Unfortunately, they must worry. Lord Keynes means, of course, that the limiting factor in reconstruction is not money but resources. But no town has any guarantee that the share of national resources it will need for its replanning will be forthcoming until it knows by what financial means those resources are to be transferred to its use. The time for research, evidence and recommendations has long ago gone. What is needed now is a policy—and action.

End of a Chapter

The Anglo-American birthday present to the Chinese Republic on the Double Tenth will give scarcely less pleasure here and in the United States than in China itself. The move to end the system of extra-territoriality, now nearly a hundred years old, is to take the form of immediate negotiations for its termination and for its replacement by trade treaties negotiated between equal partners. Extra-territoriality has been in the process of modification and abandonment since the end of the last war. Extra-territorial rights were renounced by Soviet Russia after the revolution and were withdrawn from Germany by the peace treaty. In 1927, Great Britain handed back concessions in three trading centres, the most important of which was Hankow, and this move was followed the next year by abandonment of tariff restriction rights by all the powers. The case for abandonment of the system rests on the growth of China, during the last century, into a modern, vigorous and democratic nation, a process which has been accelerated since the revolution of 1911. It is well known that a statement of his desire to see the system ended, and China admitted to full *de jure* equality with the Great Powers, was included in the will of Dr Sun Yat Sen. When the system was initiated, it represented virtually the only basis on which trade of any description could be conducted with a China influenced by a profound distrust of foreign, and especially western, contacts. Extra-territoriality implied not only the right of the nationals of a country enjoying this privilege to government by their own administration, to judicial and fiscal autonomy and to special shipping rights; it also implied the basic right to reside and trade in China. Its practical justification was the doubt whether Chinese administration and justice were adequate. The final abandonment of the privilege implies the relinquishment of the international settlement in Shanghai—which, incidentally, provided a harmful loophole for Japanese activity earlier in the hostilities—and of the British concessions in Tientsin and Canton, as well as of exemption from the jurisdiction of Chinese courts for all British and American subjects in any part of China. In Free China, the agreement, when concluded, will take immediate effect. The change, which is admittedly overdue, is the formal recognition of the status which China itself has won among the United Nations as an equal partner and an honoured collaborator. The decision also serves to emphasise the honesty of the Allied purpose, which is to fight for world freedom and not for economic or political domination.

Justice

The Lord Chancellor's statement in the House of Lords last week, and the parallel announcement made by

President Roosevelt, have carried the difficult problem of the treatment of war criminals a stage nearer to clarification. A fact-finding United Nations Commission is to be set up immediately to sift evidence and establish, so far as possible, individual responsibility for atrocities perpetrated in the Axis-occupied territories. The principle that retribution for cold-blooded murder of the innocent is a war aim of the Allied peoples has already been laid down by Mr Churchill. The debate in the Lords was mainly concerned with questions of method and expediency, the most notable contribution being the Lord Chancellor's announcement of the Government's intention to make the handing over for trial of certain leading criminals a condition of the Armistice, and not, as at Versailles, of the Peace Treaty. The Government apparently contemplates trial either by military courts, which would in any case possess power to try cases of offence against the laws and customs of war, or by national courts. The question of the trial of crimes committed in Germany, over which no national court has at present powers of jurisdiction, remains obscure. Lord Simon emphasised the importance of confining all trials to crimes committed outside the actual fighting and generally recognised by all nations; murder, the infliction of serious bodily injury, torture, rape and piracy on the high seas. There was general recognition that trial would be based on the contravention of the international code of military behaviour in occupied territories, developed since the days of Grotius, and not on war guilt or the conduct of the war as such. In this distasteful subject, two things remain plain. Justice, with due safeguards of evidence, expert defence for the accused and the continued onus of proof on the plaintiff, is a necessity if mass reprisals by the tortured and much wronged victims are to be avoided. Those actually responsible for the crimes, and not merely agents, must be punished. Too many Germans fight on the assumption that they will either win or receive the treatment of the prodigal son.

Britain's Colonies

The truth of Mr Winant's words to the Royal Empire Society last July, when he said that in the United States there was a greater divergence of viewpoint on British colonial policy than on any other controversial topic, has become very apparent in the last week or two. The article in *Life*, which is discussed in a leading article on page 469, accused Great Britain of fighting a war to keep its Empire. Countering this in a broadcast address, Dorothy Thompson declared that personally she thought the days of colonial empires ought to be over, "but the fact that there have been centuries of colonisation cannot be wiped out overnight . . .". Why, she went on to ask, very pertinently, is it only Britain's Empire, and not the French Empire or the Dutch Empire, which is attacked? Again, last week in Chungking, Mr Wendell Willkie said that

we believe that this war must mean an end to the empire of nations over other nations . . . We believe that it is the world's job to find some system for helping colonial peoples who join the United Nations' cause to become free, independent nations . . . we must establish iron-clad guarantees, administered by all the United Nations jointly, that they shall not slip back into the colonial status.

In the face of such statements from leading American opinion, British spokesmen have once again been remarkably silent. Consequently, it is not surprising if Americans tend to regard all Britain's dependent colonies as potential Indias, especially since in the colonies nearest to them, the West Indies, there is serious economic distress and political unrest. They possibly forget that Malta, too, is a British colony. But since the word Empire has now undoubtedly become a cause of dissension between Great Britain and the United States, the case for a Colonial Charter, which would embody and codify the principles and promises that have been thrown out by British statesmen from time to time, is stronger than ever.

A Household Ration

There is a feeling in people's minds that it is both unfair and confusing to add household articles piecemeal to a ration which is regarded and was planned as a clothing ration. For eighteen months Board of Trade coupons have been looked upon as currency for the purchase of personal clothing—liable always, of course, to depreciation in value if the supply position became more stringent. Now the Board of Trade has seen fit to include towels in the clothing

ration. Towels are just one among the multitude of essential articles in the household linen cupboard. It probably will be necessary to ration most, if not all, textiles. If so, towels can only be the first of a series of household articles which will have to be rationed, and unless a new issue of coupons is made, they cannot all go on the clothing ration. It is evident that the reduced production of all household goods and the increasing shortage of them in the shops has created conditions in which a new and distinct ration group is needed. What is required is a household ration, on a points system, to embrace all articles of kitchen and table equipment and household linens. Ration documents could be issued to all individuals and members of a household could pool their coupons. Saucepans and cups and saucers are in shorter supply than towels; and a rationing scheme for all these articles, which would ensure fair distribution, is an urgent necessity and should not be delayed.

The Hidden Hand

It has long been recognised as a fact, by students of retail trade, that, in spite of the multiplicity of small competitive shops, almost every section of retailing is dominated in one way or another by powerful associations of large traders or manufacturers. The Motor Trades Association, in a memorandum published recently, urged that "it is necessary for all engaged in retail trade to be free from the coercive influence of suppliers." In private the Association has expanded the reasons for this. It is the old story. Retailers are compelled to sell branded articles because of the consumer insistence created by mass-advertising. The goods are sold through suppliers termed agents; and these agents must accept the conditions laid down by the manufacturers. The pistol is always at their heads. When the retailers of one make of car, which is a peculiar and important example of the branded article, have been persuaded to build luxurious showrooms to house their wares, the retailers of other makes are compelled to follow suit; and so the process of competitive ostentation goes on, with none of the genuine virtues of competition. It has never yet been demonstrated in the motor trade or in any other trade, why manufacturers cannot be content to sell their wares to retailers at the price they set, which presumably enables them to make both ends meet, and then to leave retailers to make the best bargain they can with customers. It cannot surely be supposed that retailers will put themselves out of business by fixing too low a price; and it is self-evident that it is diametrically opposed to the interests of consumers for manufacturers to dictate, not only the final selling price, but also the conditions of sale, including all the lavish shop-fittings and publicity devices for which the consumer and nobody else has got to pay.

Pacific War

The last week has seen three vitally important actions fought off the Solomon Islands, two in the air and one by sea. Of the naval actions, one was an effective Allied offensive against a threatening concentration of Japanese shipping near Bougainville Island, 260 miles north of Guadalcanar. A combined operation was undertaken in which carrier-based aircraft under Admiral Ghormley attacked enemy shipping, while army aircraft under General MacArthur attacked near-by land bases. The Navy Department claims considerable damage, including hits by heavy bombs on a cruiser and a transport. This, together with the recent heavy raids on Rabaul in New Guinea, have caused considerable satisfaction, since it is now plain how heavy and damaging the Allied air offensive in the south-west Pacific has become. Guadalcanar itself has become the scene of renewed fighting. The Japanese have succeeded in bringing in reinforcements; but energetic naval measures on the nights of October 11-12 and 13-14 succeeded in sinking eleven Japanese vessels—two heavy cruisers, four destroyers and five merchant ships—for the loss of one American destroyer; while in the air an aggressive Japanese force of thirty-five bombers and thirty fighters lost eight and four planes, respectively, for an Allied loss of two fighters. These actions are of supreme importance for the whole future of the Pacific war. They indicate that the Japanese have by no means abandoned their intention of evicting the Allies from the Solomons—that they may be prepared to sacrifice the possibility of an advance in New Guinea to

that end. They show also that the Americans are conscious of the desperate importance of pushing on, in Guadalcanar and further afield, and that their offensive activity takes the most effective possible form, that of unremitting pressure on the bases of supply. Meanwhile, in New Guinea, the Australians continue their steady advance in the Owen Stanley range, checked only by supply difficulties and rare encounters with a Japanese patrol. The ultimate battle for Guadalcanar has yet to be fought, as has also the ultimate battle for Port Moresby. From the Japanese supply standpoint, the two objectives are interdependent. Allied attack from either assists the defence of both. The satisfactory feature of the recent fighting is that the Allies are attacking from both.

Milk Costs

From the first of this month, the Milk Marketing Board became the sole buyer of milk. The Ministry of Food buys supplies from the Board and sells them to distributors according to a plan designed to satisfy all needs and to save the maximum amount of labour and transport. Milk prices, which used to be fixed by the Milk Marketing Board, a producers' monopoly, after consultation with the Central Milk Distributors' Committee, have been fixed for six months, during which time an investigation will be held into the costs of all sections of the milk trade. On the basis of this investigation, it is hoped to reduce the subsidy of £20 millions which is at present paid by the Treasury to keep prices down. Actually, there seems little reason why milk prices themselves should not be lowered as a result of this scrutiny of costs. It may be necessary to stimulate production by subsidy; but distributive margins have always been extravagantly high in the milk trade, and now, when distribution is being rationalised to fit wartime requirements, the last vestige of an excuse for the undue dearth of milk has surely gone. There is here a great opportunity. Before the war, the price of milk was far too high, largely because of the extravagant cost of distribution. In 1937, the Food Council made far-reaching recommendations for the reduction of milk retailers' margins. In 1940, the Perry Report, made for the Ministry of Food, stated that "the system of milk distribution employed in the greater part of the trade is unnecessarily costly and elaborate." There is no justification at all for this state of affairs to continue now. It is true that the Perry Report raised a storm in the industry. But, whatever the rightness or wrongness of retailers' margins in more normal conditions, it is surely obvious that the wartime rationalisation of distribution should have removed much of the costly elaboration which was so characteristic of the trade before the war. Lord Woolton said on October 6th that the intention was to save 25 per cent of the manpower and 40 per cent of the petrol cost of distribution. In wartime, of course, it is these material savings which count far more than any considerations of price. Nevertheless, if these savings are made, the consumer should surely benefit. It would be fantastic if the inflated prices and inflated margins of peacetime were to be preserved under austerity conditions—and under the

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cloak of a heavy subsidy. Presumably, the investigation into costs which is going on will reveal the same sad facts as those which similar investigations have revealed in the past. This time action should be taken—in spite of the very energetic resistance of a number of representative associations of the different branches of the trade.

Welfare and Productivity

Over 50 million man-hours are lost per month through industrial accidents. This estimate, which he says is "probably an understatement," is arrived at by the Chief Inspector of Factories in his 1941 report. The "very high and almost startling" increase in accidents during the year is largely accounted for by accidents to women, which represent an increase over 1938 of 192 per cent, compared with 42 per cent for men. This high figure is attributable to the large number of women entering employment, including dangerous occupations, since the war and not to any greater accident proneness, although the report passes some severe strictures on "the modern style of hairdressing." In addition, many firms pay far too little attention to safety precautions and to training inexperienced workers. The situation is most satisfactory in firms where workers are represented on safety committees, and the report recommends that production committees should concern themselves with accident prevention. It is astonishing that it should take so long to learn the lesson that overlong hours lead to reduced production, and it is difficult to understand why, when the Inspectorate are fully aware of this fact, and, indeed, quote instances of output being actually increased when shorter hours are worked, the number of "permissions" granted to relax the provisions of the Factory Act should have been nearly doubled since 1940. A definite lead from the Minister of Labour on the question of hours, especially of women and young persons, would be of very great value. The importance of canteens in raising efficiency is stressed, and there has been a distinct improvement in this direction; 2,814 factories subject to the Factory Canteen Order were operating canteens in 1941, against 1,164 in 1940, and the total number of industrial canteens, including docks and building sites, was 6,952. The position in smaller and dispersal factories still seems unsatisfactory.

Workers' Health

The section on health is the least satisfactory part of the annual report of the Chief Inspector of Factories. Although it states that the general standard of health has been well maintained, largely owing to the provision of canteen meals, it leaves much unsaid. There are few constructive suggestions for improving the factory medical service. There is no mention of facilities for preventive treatment or for medical attention on the spot. There is no recommendation on the time when a pregnant woman should leave her employment, though this is a matter on which an authoritative opinion would be welcome, since there is a great deal of evidence that many women, for financial reasons, stay at work far too long before their confinement. No figures are given for the increase in dermatitis, which is admitted, but apparently not considered important enough to be quoted—but since the number of cases notified increased from 2,195 in 1938 to 4,744 in 1940, and is known to have been steadily increasing, the omission is not only unscientific but deplorable. Finally, the number of wholtime works medical officers, 150, seems very inadequate for the total number of establishments, though there are, of course, many more part-time factory doctors. It is quite true that the Services have first call in the mobilisation of doctors, but more use could surely be made in factories of qualified Allied refugees. It would be interesting to know how many man-hours are lost by avoidable sickness; if the rate of production is to be maintained during the coming winter, it seems essential that the provision of a comprehensive and, above all, a preventive industrial medical service should have first-class priority.

Prompt Measures

The Ministry of Health is to be congratulated on the prompt action it has taken to implement the recommendations of the Medical Research Council's Committee on

tuberculosis. The day the report was published, Mr Ernest Brown announced in Parliament that the Ministry has obtained priority for the supply of some 30 sets of equipment for mass radiography, and has arranged for the training of the necessary expert staff. As the equipment is received, it will be allocated to large centres of population. So much for diagnosis. Institutional treatment will be expanded by allocating additional beds and by a better distribution of the trained nurses now available; a priority list of hospitals in which the need for nurses is urgent will be drawn up; and the training schools will be asked to provide a quota of the nurses who have finished their training to be allocated to these hospitals. Most important, financial assistance will be given by the Exchequer, through the local authorities, to provide for the maintenance of the dependants of the patient. It will not be administered by the Assistance Board after a means test, but by the public health authorities; and there will be a flat rate for maintenance, together with extra grants for standing charges such as educational costs and rent. Unfortunately, not a word was said by the Minister of Health about rehabilitation. This, it is true, does not come within his province—or at least not solely within his province—but it is a pity that a statement was not made at the same time by the Minister of Labour on the excellent recommendations of the Committee with regard to modified and supervised work in factories, together with the subsidisation of wages where necessary—so that ex-tuberculous patients can be enabled gradually to resume their normal occupations under normal conditions. It is true that certain tuberculous workers are included in the Ministry of Labour's Interim Scheme for Training and Resettlement of Disabled Persons, but the Committee points out in its report that the number of cases to which the scheme can apply is very small and in practice they are those who need it least. Tuberculosis is a long-term disease, and the care of its victims must be prolonged and thorough. In diagnosis, treatment and rehabilitation there must be no half-measures and no cheese-paring.

The Dangers of the Black-out

During the recent debate in the House of Commons, Major Lloyd George and Mr Grenfell between them gave a very full statistical picture of the coal situation, while shoals and showers of crucial facts and figures have been tossed to the press—albeit not a little polemically—by the Mining Association, that is, the employers. No figure seems too secret—or of too great value to the enemy—to be revealed. Major Lloyd George gave the figure of production in 1939-40 and the rate of output in the current coal year ending next April. He also gave estimated consumption in the United Kingdom this year, including, notably, the estimated increase in consumption by "certain important munition industries," and the current estimated deficit. Finally, he gave the output in the week ended September 26th and promised to give output figures for the whole country every month in future, together with the percentage of the standard tonnage reached in each district—a clear indication to the Germans which are the most efficient mining areas to bomb. Mr Grenfell gave interesting figures of stocks, at the beginning and end of 1940-41 and 1941-42, and between them the Minister of Fuel and the ex-Secretary of Mines gave the present number of miners, including those working at the coalface. It may, therefore, be pertinent to ask why, since all these figures have in the event been revealed, there was ever any ban on their publication. It has apparently been decided now that they do not give away information of value to the enemy, and those who wish to give helpful criticism on the nation's war effort are grateful for the decision. On the other hand, it may be pointed out that, if there had been no ban of figures of output and the rest, criticism of the Government's coal policy would have been far better informed and consequently would have carried more weight. It is accordingly not presumptuous to believe that the need for the reorganisation of the industry and the economy campaign might have been forced upon the Government's attention very much earlier—perhaps, even, in time. Since, moreover, the dangers of the statistical black-out have now been made so painfully apparent in this instance, is there not a case for relaxing it in other fields—that, for instance, of shipping losses, where the publication of delayed figures covering broad periods would reveal the basis of policies designed to restrict supplies and imports? And might it not be a positive advantage to United Nations' good relations if the curtain were drawn more often and more fully on Great

Britain's achievements, by giving, for instance, full figures, in general categories, of the mobilisation of man power and woman power?

Regional Machinery

Statements by the Minister of Production on Wednesday, together with a speech by the head of the regional division of the Ministry to the Engineering Industries' Association last week, provide a welcome indication that the effective scope of the Ministry and its regional machinery is to be expanded. Hitherto there has been some suspicion that the regional production boards were not exercising the full influence which the Citrine Committee recommended they should, and that co-operation with other departments was not always as satisfactory as it might be, and it certainly seems that insufficient publicity has been given to their work. As the *Times* recently commented

"They . . . have as yet scarcely made a ripple on the waters of industry. Their modesty and unobtrusiveness are indeed so great that even their whereabouts may be unknown to manufacturers in the areas in which it is their business to organise production."

There are now 53 regional and district capacity offices whose business it is to secure the correct "loading" of industrial capacity, in their areas. Highly specialised items such as ball-bearings and capacity already adequate supervised through direct contracts, are outside the scope of the regional boards, which are primarily concerned with the ordinary sub-contract type of orders. Mr Lyttelton announced that the future location of industry is to be more strictly controlled, and measures taken for dealing with firms whose use of resources is wasteful, either by rearranging their work, regrouping firms or, if necessary, forbidding them to accept further orders. Full use will be made of the local knowledge of the regional boards, which will investigate every case, and try to create the "minimum of disturbance." Joint production committees are being encouraged to refer to the regional boards questions involving more than domestic factory issues. On paper the pyramidal structure for national production organisation is admirable, and it remains to establish it in practice. Their efficiency with which the regional controllers fulfil their duties must depend (as was pointed out in *The Economist*, on May 23rd), on the degree of authority with which the Minister of Production himself is vested. The Minister now has a Parliamentary Secretary and has recently acquired a Permanent Secretary, an important step towards recognition in the hierarchy of the Civil Service. As the Citrine report emphasised, his representatives in the districts should exercise the same control in the regions as the Minister can at the centre, in order to "concert and supervise the activities of the Supply departments." The birthpangs of the Ministry of Production were long and complicated; its teething troubles are not yet over. The devolution of executive authority through regional machinery is an integral part of its growth; and it is essential that the regional boards should be enabled to develop freely, without encountering the same impediments and prejudices that faced the central departments in its early days.

Debate on Contracts

Last Wednesday's debate in the House of Commons on the recent Report of its Public Accounts' Committee served a useful purpose, not so much for the duel between Mr Kendall, speaking for the British Manufacture and Research Company whose activities were under discussion, and Lieut.-Colonel Elliot, chairman of the Committee, as for the attention that was drawn to the need for careful costing as a means of avoiding waste of physical resources in the production of war equipment. Sir Kingsley Wood, in expressing his indebtedness to the Committee for the useful work it is doing, frankly admitted that EPT itself is no protection "against uneconomic or wasteful methods of production." He gave an effective answer to suggestions that prices do not matter because everything goes in EPT. Waste of labour and materials can only be avoided by careful costing, and to this end Government departments must have ready access to the books of contractors, a power which was only granted at the time of the passing of the

Ministry of Supply Act. Early in the war Government departments had neither the facilities nor the experience to keep as close a watch over contractors' expenditure as may have been desirable. But costing has become progressively more efficient and, in so far as contracts for established equipment is concerned, Government departments now have acquired a good deal of experience in tracing and checking wasteful and inefficient methods of production.

Tu Quoque

The *New Statesman* has thought it proper to reprove those people who are not a little uneasy lest an attempt should be made to implement the vague, incompatible and costly recommendations of the Scott Report. It is not impossible that this distinguished and successful contemporary had *The Economist* in mind when administering its rebuke—with all the judicial temper of the up-to-date intellect. If this is so, then the rebuke was misdirected. This can be simply proved. Modern thought, as represented by the *New Statesman*, in contrast to what it calls "the ancient passion of the surviving free traders," lays down three conditions for the future of farming—repudiating indignantly, by the way, any demand for "a post-war régime of high agricultural protection or subsidy." First of all, the farmer must not be left at the intemperate mercy of world fluctuations. This has consistently been the view of *The Economist*, which supports, in general and in detail, a policy of guaranteed prices for farm products, if only because the period of gestation in agricultural production is dictated by nature and not by policy. Secondly, it is said that nothing must be omitted to improve the efficiency of farming. This is again *The Economist's* view. The point is that the technical efficiency of farming must be such as to make the use of resources in agriculture economically efficient by comparison with the use of resources for other alternative, and mainly industrial, pursuits—and in comparison with the use of resources in the agricultures of overseas countries. Finally, it is urged that there must be specialisation on those types of holding and of products which offer the best prospect of economic returns. This is indeed the real point at issue; and the main point of the Scott Report was that, by its general plea for a balanced agriculture of the traditional kind, it ruled out precisely this kind of specialisation—despite its concurrent plea for a greater contribution by British farming to the solution of nutritional problems. It remains a fact that the Scott proposals, in so far as they were consistent, did add up—by virtue of the fact that they posited certain conditions in the countryside as the beginning of their argument, instead of proving them to be the result of the policies they urged—to a demand that agriculture after the war should be maintained at a certain level, regardless of the cost to the rest of the community, regardless, that is, of whether or not it was economically efficient.



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AMERICAN SURVEY

Financing War Industry

(From Our New York Correspondent)

September 20th

IT has long been a cardinal principle of American commercial banking practice that a bank might not lend more than 10 per cent of its capital funds to any single borrower. Since the capital, surplus and undivided profits of the banking system at the present time amount to about \$8 billions this would mean that, under normal conditions, no one borrower might, even by employing the facilities of all the banks of the nation, establish a credit line of more than \$800,000,000. Yet it was recently announced that the General Motors Corporation had completed arrangements for a loan of \$1 billion, and that the transaction would be handled by a group consisting of only about 250 of the country's more than 14,000 commercial banks.

This huge war credit—it is ten times greater than the largest previously obtained by an American firm—has been made possible by the newest in the series of mechanisms that have been devised during the last two years for financing the war production of American industry. This is the mechanism known as Regulation "V." It originated in an Executive Order issued by the President on March 26th this year authorising the War and Navy Departments and the Maritime Commission to enter into contracts with any financial institutions, guaranteeing them against loss of principal and interest on loans, discounts and commitments entered into for the purpose of financing any contractor, sub-contractor or other engaged in a business or operation deemed "necessary, appropriate or convenient for the prosecution of the war."

New Loan Standards

The machinery for working this Order is contained in a Regulation published by the Federal Reserve Board eleven days later, on April 6th. Under this Regulation, designated Regulation "V," the three procurement agencies named in the President's Order are authorised to guarantee commercial banks, Federal Reserve banks or the Reconstruction Finance Corporation against loss on loans for the performance of war orders. The idea underlying this process by which the Government will underwrite war loan risks is effectively summed up in a declaration of the Board that "peacetime credit rules or standards must not be permitted to hold up the production of war supplies needed by the armed forces." In other words, production is henceforth to be the prime, if not the sole, basis for loans to war industry.

Before discussing this newest development in American wartime finance in greater detail, it might be well, perhaps, to trace what may briefly be called the trial-and-error way by which it arrived. The problem of industrial finance in this country, as elsewhere, has been a twofold one, involving the task of providing for plant construction and expansion, on the one hand, and for working capital, on the other. This has been, and promises to be, a particularly formidable problem here for two reasons: first, the fact that, boasting no munitions industry of its own up to 1939 (in the European sense of the term), America has had to do more than the normal amount of arsenal building and plant conversion; secondly, the sheer dollar magnitude of the defence and war programme, involving as it does, not only the arming of this nation, but also production under Lend-Lease for some thirty other nations.

Plant expansion has been financed largely through three mechanisms, all set up since the all-out defence effort was launched in the summer of 1940. The Second Revenue Act of that year, which became law on October 8th, encouraged companies to borrow for expansion by liberalising the terms

of amortisation for tax purposes, so that the entire cost of such investments might be written off over a period of sixty months. Meanwhile, in July, 1940, the Emergency Plant Facilities Contract had been created, and a month later the Defence Plant Corporation had been set up. Under the first of these, a contractor negotiates an agreement with the Army and Navy under which he builds a plant with his own funds and holds title to it until the Government reimburses him. Repayment by the Government begins upon completion of the plant and takes the form of sixty monthly payments. This procedure contains a pronounced element of Government guarantee, since the contract may be assigned to a bank as collateral for a term loan. Such contracts are not numerous, and have been confined largely to the shipbuilding and aircraft industries. The Defence Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, has been a much more important element in the war plant picture than the EPF, especially in recent months. Where a company such as Chrysler goes into large-scale wartime production of tanks, the Government itself, through the DPC, builds the plant and leases it to the firm. Or, under a variation known as the "arsenal plan," it pays the company a fixed fee for operating it. In either case, the Government assumes and retains title to the plant, though the manufacturer may be given the option of acquiring it at the end of the emergency at cost less depreciation. On June 30th, total Government commitments for war plant expansion stood at \$13,524,000,000.

Before the defence effort got well under way, industry depended for working capital on its own resources and ordinary commercial bank loans. In a survey covering the operations of 5,362 banks over the period April 16th-May 15th this year, the results of which were made public in its August *Bulletin*, the Federal Reserve Board found that, out of \$2.2 billions of loans and renewals in that period, about one-third were for the production and distribution of war goods. About 40 per cent of all new loans, it found, were for this purpose. Two other agencies have stood ready, in theory at least, to lend their support to the commercial banks: namely, the Federal Reserve banks, which are permitted to loan directly to industry under the so-called Regulation "S" of June 19, 1934; and the Reconstruction Finance Corporation. Neither has been an important factor, however. At the end of July, this year, direct RFC loans totalled \$170 millions and advances under Regulation "S" were less than \$15 millions.

The Banks Outgrown

As the defence effort expanded, it outgrew the capacity of the banking system—as the latter functioned under normal peacetime conditions. A company which would ordinarily require, say, \$100,000 in working capital found its needs suddenly expanded to five or six times that amount, the result being a demand for credit which could not be met by the banks with due regard to accepted risk standards. The first attempt to deal with this problem was the Act of June 22, 1940, under which the Army and Navy were authorised to advance payments on their contracts. Originally such advances were limited to 30 per cent of the amount of the contract. Later, an additional 20 per cent was allowed, but this was to apply only in cases where there was sub-contracting and was to go to the sub-contractor or sub-contractors. Formerly interest-free, these advances now bear 2½ per cent. To date, they have totalled over \$2 billions. This system of "progress payments" was supplemented on October 9th with the Assignment of Claims Act. This Act permitted, for the first time, the assignment of any claim

due from the Government unless the contract expressly forbade it. Under the assignment, the lending institution receives from the Government all payments made as the contract is satisfactorily filled. The virtue of this arrangement is that it gives the contractor an asset which he can put up with his bank as collateral for a loan which possibly might otherwise be unobtainable.

Neither of these mechanisms has provided an adequate answer to the working capital problem. The system of progress payments has been a constant headache to the Services, which have found themselves to all intents and purposes in the banking business and under the necessity of satisfying themselves, both as to the credit position of the companies with which they were dealing and as to the degree of the latter's contract performance. The Assignment of Claims formula has been a great convenience, but it has not expanded appreciably bank lending facilities.

Regulation "V"

The banking community believes that the new mechanism represented by Regulation "V" does do this, and both the Services and the bankers hope through it to wean industry away from the awkward and burdensome progress payment system. This should not be a particularly difficult problem, for Regulation "V" is calculated to commend itself quite as much to the contractor as to these interested parties. Any borrower engaging in work necessary for the war effort is eligible for a "V" loan, whether a prime, sub or sub-sub contractor. Regulation "V" loans can be, and have been, guaranteed up to 100 per cent; but the Government did not contemplate and does not look with favour on such a set-up. The bank is expected to participate as generously as it can, consistent with sound banking practice. The guarantor is the actual Service concerned—the Army, the Navy or the Maritime Commission—and the Federal Reserve bank acts as fiscal agent. A fee for the guarantee is paid by the bank to the Service, and ranges from 10 per cent to 40 per cent of the interest collected. The larger the guarantee the higher the fee. The borrower's contact is with the bank, which services and polices the loan. The bank works out the terms

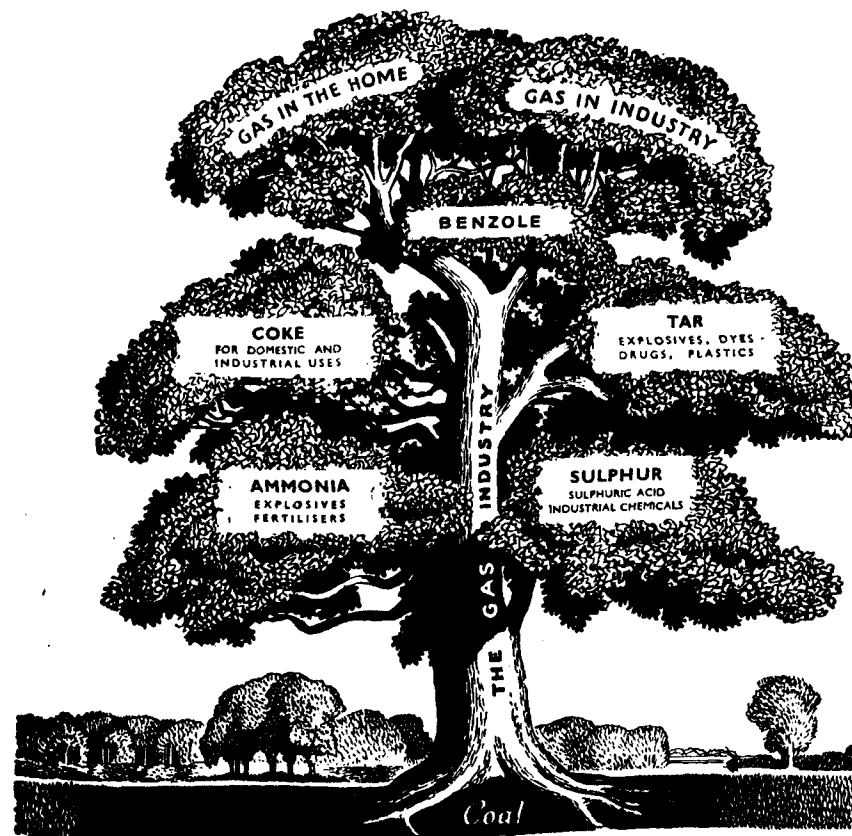
with the borrower, decides what guarantee it needs, and submits an application to the Federal Reserve bank of its district. The Reserve bank works out the details and final terms.

Both the bank and the borrower are protected in the event of the borrower's contracts being cancelled at the Government's convenience. The bank is protected by the so-called "step-ladder" clause, which, if not less than 25 per cent of the borrower's war contracts are cancelled, reduces the unguaranteed portion of the loan in the same proportion as the percentage of cancelled contracts bears to total unfilled orders. Thus, if a loan was initially 60 per cent guaranteed and half the borrower's war orders were cancelled, the bank's guarantee would be raised to 80 per cent. If all orders were cancelled, as would happen in the event of the war's termination, the guarantee would become 100 per cent. The borrower, in the event of such cancellation, is allowed a waiver of interest and extension of maturity on related loans until he has settled with the Government on account of the cancellation. The percentage of his loan extended is equal to the percentage of his war contracts cancelled.

All-Out Financing

When Regulation "V" was promulgated, it was expected that small manufacturers with inadequate credit would be the chief beneficiaries. And for a time this was the case. Early in August, the total of such loans was only \$450,000,000, and they ranged in size from millions down to as little as \$400. But in recent weeks the nation's biggest war industries have discovered in Regulation "V" a convenient and flexible medium for financing their huge working capital needs, and a new and vigorous expansion in commercial bank loans now seems to be in prospect. Allis-Chalmers negotiated a "V" loan for \$40,000,000 late in August, and Radio Corporation of America followed a few days later with one of \$60,000,000. And now General Motors has made financial history with its gigantic war credit of \$1,000,000,000. It can now be said with much truth that industrial financing in the United States, like industrial production, is at last on an all-out war basis.

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American Notes

Manpower and Strategy

The problems of manpower policy have provided the staple diet of official and unofficial discussion during the past week. President Roosevelt, in his fireside chat on Monday, forecast the need to follow the rationing of materials by the rationing of manpower. Already several Bills have been introduced in Congress providing for national service legislation of one kind or another. The pressure on the domestic front for manpower decisions comes largely from the shortage of farm labour. A request has already been made by a group of Senators for the deferment, for at least 90 days, of men engaged in dairy farming or livestock production; they point out that, once the men have joined the Forces, it will be exceedingly difficult to get them back on the farms again, if later it is found that agricultural production is seriously endangered. Shortages of skilled industrial labour, like that in Willow Run, also point to the necessity for some more effective method of manpower allocation. It is widely realised, however, that the problem is not primarily domestic, and that the fundamental decision to be made is whether the most useful contribution of the United States to a United Nations victory is to take the form of production of weapons now for the fighting fronts and of food, or the form of a mass army of 10 million or more men which would not be equipped for action for, say, a year or more. Mr Nelson has already suggested that the aim of an army of 10 million in 1943 may have to be reduced somewhat in view of the United States' industrial commitments to its Allies. It is obvious that a decision on the size of the army is necessary before any plan for agricultural or industrial mobilisation can be determined, and it is fortunate that there is an increasing understanding in the United States of precisely what the alternatives involve. A number of publications, among them *Fortune* and the *Atlantic Monthly*, in addition to the daily press, have made it clear that the building up of a large army, particularly for home defence, will mean substantial changes in the volume of production available for the fighting fronts under Lend-Lease.

Lewis Breaks Away

The decision of the United Mine Workers to end their membership of the Congress of Industrial Organisations comes as no great surprise. It had long been expected that, at the most favourable opportunity, John L. Lewis would break the very tenuous relationship between the miners and the CIO. The building up of District 50, which has attempted to organise dairy farmers, chemical and coal by-product workers and others into an organisation affiliated to the Mine Workers, has made it plain that Mr Lewis was preparing to exploit his position to the utmost. The secession deprives the CIO of 500,000 members and a very considerable source of financial strength; but, in view of the strained relations between the two, these must have very largely been written off long ago. It is reported that Mr Lewis is already negotiating for the readmission of the Mine Workers to the American Federation of Labour, and there are fears that the isolationist and anti-Roosevelt elements in both organisations would be strengthened by such a move. Mr Lewis evidently regards the present time, when negotiations are again under way to arrange a merger between the CIO and AFL, as promising the most juicy pickings for himself. One of the difficulties in merging the AFL and CIO has been the desire, on the one hand, of the AFL to re-absorb the CIO, and on the other, the insistence of the CIO that it should be treated as equal in strength and prestige to the parent organisation. If the Mine Workers become part of the AFL the bargaining position of the CIO will be greatly weakened. Rather than advancing the prospects of unification, this would embitter the CIO and make negotiations more difficult if not impossible. This isolation of the CIO and embitterment of relations is probably one of Mr Lewis's aims, second only to his own rehabilitation and the greater scope he would have with a larger organisation like the AFL. The prospect of the labour war which is brewing can hardly be to the liking of President Roosevelt, who has used his influence to have negotiations reopened between the AFL and the CIO.

Victory Tax?

The 1942 Tax Bill has now been approved by the House and goes to the House of Representatives for adjustment. Those will centre on the Senate's new Victory Tax and the rates to be paid by corporations. As it now

stands, the Tax Bill will add at best about \$8,000 millions to the \$17,000 millions of existing Federal revenues. The Senate has added something less than \$2,000 millions to the \$6,300 millions bill passed by the House; Senator George has called it "the biggest, meanest and toughest tax in US history." It still, however, does not reach the Treasury goal of an increase of \$8,700 millions, which Mr Morgenthau said was the least the American people could afford to provide. The Victory Tax, which is Senator George's brainchild, and the chief contribution of the Senate toward more drastic taxation, provides for a 5 per cent levy on all incomes above \$624 a year. As far as is practicable this will be paid at source. Up to a \$500 limit, 25 per cent of the Victory Tax will be returned to single taxpayers, after the war, and 40 per cent to married taxpayers with an additional 2 per cent for each child, a reflection of current forced saving discussion. The yield of the tax has been estimated at from \$3,104 millions to \$3,600 millions a year, and it is scheduled to go into effect on January 1st. According to reports, it was passed in defiance of the Treasury, which had proposed a withholding tax, only to apply to incomes already subject to income tax; it will, therefore, affect several million more taxpayers than the Treasury proposals. The Senate's position on corporation tax rates has been less drastic than that of the House, which proposed a 90 per cent excess profits rate in addition to a 45 per cent normal and surtax rate. After hearing testimony that such rates would seriously endanger the efficiency of war production, and impede the accumulation of post-war reserves, the Senate has recommended that an 80 per cent ceiling be placed on the total tax of any corporation. The influence of the Senate Conference representatives is generally greater than that of those of the House; but, in view of the reported dissatisfaction of some Senators with the Bill, it is possible that both the Victory Tax and corporation rates may be subject to further changes. Whatever tinkering goes on, however, it is still plain that the Tax Bill, very heavy indeed though it is, will not cover more than a third of the country's expenditure this year. Even when state and local taxes of about \$9,000 millions are added in, it will fail to cause a substantial reduction in spending, which is estimated at \$76,000 millions—or to close the \$20,000 millions "inflationary gap" between purchasing power and available civilian goods.

Aircraft Metals

For the first time since the outbreak of war, the United States aluminium and magnesium supply position has begun to improve. There are still no supplies available for civilian uses, but the more regular flow of light metals to the munitions factories has reduced delays in war production which were still considerable as recently as the first quarter of this year. In a note published in *The Economist* on June 27th (page 903), details were given of revised United States aluminium and magnesium production schedules. Further information from Mr Batt, chairman of the Requirements Committee and the Light Metals Branch of the PBW, reveals that the initial United States war programme for aluminium plant covering an annual output of 850,000,000 lb., has been completed, and is now in production. The second expansion programme, begun a year ago, and aiming at an annual output of an additional 640,000,000 lb., is also complete. This quantity is to be produced in seven Government-owned works which started production between May and August. A third US expansion programme of the same size as the second was initiated following the United States' entry into the war. For this "a great deal of preliminary work has been accomplished," and production is expected to start early in December, 1942. Altogether Mr Batt expects this year's United States' production of aluminium to be 1,083,000,000 lb. Mr Batt is also convinced that Canada will be able to supply the contracted 450,000,000 lb. of aluminium to the United States next year, which will raise United States' supplies of primary aluminium in 1943 to something like 2,500,000,000 lb., compared with 330,000,000 lb. in 1939. The sums allocated so far by the United States Government for its aluminium programme amount to \$568,000,000, to which another \$85,000,000 invested by private industry must be added. The achievements of the United States magnesium expansion programme are still more impressive. Here five new works have started production this summer, and Mr Batt expects a United States output of 170,000,000 lb. in 1942, compared with no more than 6,450,000 lb. in 1939. Progress would have been even more marked but for the fact that supplies of electric power are limited. Through the development by the National Academy of Sciences of

the so-called ferro-silicon process, which employs gas instead of electricity, these obstacles have been partly overcome; and it is now expected that next year the United States will produce 600,000,000 lb. of magnesium, and that by the end of 1943 the whole expansion programme—aiming at an annual capacity of 725,000,000 lb.—will be completed. According to official information released in Ottawa, Canada is now producing magnesium. The Dominion's first works started early in September.

Shadow Boxing

The "Open Letter to the People of England" concocted by the editors of *Life*—"this boyish sermon" as the *Herald Tribune* called it—has aroused indignation in the United States. The letter emphasised the need for common strategy and common war aims, but laid the failure to develop either to Britain's determination to preserve her Empire at any cost. In particular, it was suggested that the opening of the Second Front was being delayed because it might not be to the advantage of the Empire; an invidious contrast was drawn between American devotion to principle, as evidenced by the Civil War, which according to *Life* was fought solely to free the black man, and British indifference to principle as evidenced in the Indian problem. The sharp retorts of writers like Miss Thompson and Major George Fielding Elliot and radio commentators like Ed Murrow and Bob Trout have flatly denied *Life's* claim to speak for the American people. The *Life* letter reflects the obdurate suspicion of British Empire which can never be neglected entirely in dealing with American public opinion, and it focuses attention upon Britain's inability wholly to convince America of the rightness of her Indian policy. What is most remarkable is its publication at a time when responsible American opinion, far from being critical of British strategy, is increasingly concerned with what is called American "strategical

nationalism." *Life's* usually slick sense of timing appears to have broken down.

Shorter Notes

The Truman committee last week heard testimony from Major-General Oliver Echols, Chief of Air Forces Material, who is reported to have admitted that the Army realised its aircraft were not the most manoeuvrable in the world, but claimed that they were the safest and carried the heaviest fire-power. Other points made were that American pilots use Spitfires over England because they are specially adapted to European conditions, and that six Axis airplanes are shot down for every American aircraft shot down. Senator Truman said the record showed improvement, and was evidently impressed by Major-General Echols' statement that the Army is making every effort to better its aircraft.

The War Production Board recently began criminal prosecutions against firms misusing critical war materials. Previously the only penalty has been a three months' suspension order. Disciplinary action has been undertaken so far against 100 firms.

The War Labour Board has rejected a request for a wage increase from Ford employees on the ground that it would not be compatible with the principles laid down in the Board's "little steel" decision. This is interesting as proof that the Board continued to be guided by the formula which provided increases in wages sufficient to compensate for the rise in the cost of living between January, 1941, and May, 1942. In this case as increases amounting to 25 per cent had already been granted, no further increase could be given, but presumably in other cases the Board will feel free to grant rises up to 15 per cent of January, 1941, wage rates.

THE WORLD OVERSEAS

Changes in China's Economy

(By a Correspondent)

October 12th

SINCE victory in modern war depends so vitally on economic strength expressed in terms of war production, China has been fighting under a serious disadvantage for over four years. Its industry had seen an extraordinary expansion in the last years preceding the Japanese invasion, but this expansion was almost exclusively confined to the coastal regions. Within the first year of the campaign, almost all the new Chinese industrial districts and most of the old-established ones were under Japanese occupation.

At the time of Japan's aggression, the Chinese National Resources Commission was engaged on a three-year programme for the development of industries in the Central Chinese provinces of Hunan, Hupeh and Kiangsi. This programme was at once revised and made the nucleus for state development in the interior of China, far beyond the borders of the provinces for which it was originally designed. Up to last year, the Commission had developed over seventy big industrial and mining projects in the interior of China, of which twenty-nine covered heavy industry, twenty electrical engineering and twenty-two mining concerns. In addition to these state enterprises, private initiative was stimulated by financial aid and technical assistance through the "Industrial and Mining Adjustment Administration of the Ministry of Economics." This included, first, the shifting of some 450 factories, with all their equipment and 12,000 skilled workers, from the coastal zone (chiefly Shanghai) to the interior. Later it concentrated mainly on the setting up of new industries under private ownership. By the end of 1940, 1,354 new factories had been established in the interior. Their combined output in that year amounted to 4.7 thousand million

Chinese dollars, of which textiles accounted for roughly one-third, chemicals for another third, and miscellaneous products for the remainder. This private activity in industry has been supplemented since the autumn of 1938 by a rapidly growing co-operative movement. The number of industrial co-operatives reached a total of 2,000 in March last. Their membership now exceeds 30,000 and their monthly output is valued at \$20,000,000, comprising all sorts of light industrial products including certain types of munitions.

In communications, many thousands of miles of highways have been developed. Among these, the Burma Road, which was built in two years by some 150,000 ill-equipped workers, is only one. Another highway of importance is the Chinese-Soviet road from Sian via Lanchow to Tachen on the Soviet border (over 2,000 miles), where it links up with the Russian Turk-Sib Railway, and to-day carries the entire traffic between the two countries. Among the many new internal Chinese highways, the Szechwan-Yunnan road from Chungking to Kunming (some 750 miles) is to-day the most important. Besides road construction, railway development has not gone neglected in Free China, although here the shortage of rails and rolling stock has frequently required the breaking-up of some old lines, which were endangered by the advancing Japanese, before new lines could be built.

Agriculture and Mining

The opening up of the interior laid the foundation for a reorganisation of agriculture and mining. This involves the reclamation and irrigation of vast tracts of lands which

were made available for the settlement of war refugees, and are now producing substantial surplus crops. Co-operative farming has been greatly extended, with the result that surplus supplies have rapidly increased. The loss of the leading silk-producing regions (Kiangsi and Chekiang) to the Japanese has led to the development of new and extensive silk-growing industries in the interior, with Kweichow, Yunnan and Szechwan ranking first. In mining, much work has been done to improve the efficiency of the tungsten, antimony and tin industries. Transport difficulties have kept down current production, but the latest official data speak of a current yearly output of 7,500 tons of antimony, 9,000 tons of wolfram and 17,000 tons of tin. These quantities are large enough to assure China the first place among the world's antimony and tungsten producers and, together with Nigeria, the third place among the tin areas still under Allied control. Certain industries have been started to utilise agricultural and mineral products. These include power alcohol and oil cracking industries, which use potatoes, sugar, grain and wood alcohol as a basis. Moreover, charcoal is produced in large quantities, but the lack of gas generators has prevented these supplies from compensating the stoppage of petrol imports and thereby assuring the maintenance of motor traffic.

Trade in the interior of the country has naturally greatly expanded in recent years. To prevent private profiteering, the state is supervising this trade very strictly, and in some districts has introduced public or co-operative trading. On



the other hand, foreign trade transactions, which had been under state control since the early part of the Sino-Japanese war, have been freed from restrictions since the outbreak of the Pacific war. It is thought that the increased difficulties which the latter has caused have been more effectively countered in many cases by private initiative. To-day, however, Free China's foreign trade consists only of its exchange of goods with Soviet Russia over the Sino-Soviet highway. The great bulk of this trade consists of tea, tin, bristles, wool, hides and raw silk, against which Russia supplies certain war materials. The great bulk of the goods to and from Russia is transported in stages by human and animal carriers. Last year, this transport moved more than 500,000 tons of goods over a distance of no less than 19,000 miles. Nothing shows better than these figures the enormous effort made by Free China to maintain its economic life, but nothing shows more clearly also the odds with which it has to contend.

A Feat of Improvisation

Undoubtedly, the country has achieved a great feat of improvisation in adapting its industry, agriculture, mining and trade to the necessities of the war. Moreover, since most of the industries lost in the coastal regions were foreign owned, while the new ones are native, the process has a peacetime significance as well. But China's industrial resources are too limited and its reserves of war weapons

too small to assure the Chinese army offensive strength over a long period against the well-equipped Japanese invasion force. The weapons it can make are mostly small arms, useful for guerilla warfare, but that is all. In referring the other day to the re-occupation of Burma and the re-establishment of direct contact with the Chinese as one of the earliest military tasks of the United Nations, General Wavell clearly drew the only possible conclusion from these facts. But the re-establishment of contact with Free China would not only be of great value from the point of view of military operations in the Far East. It would also strengthen the offensive power of the United Nations in other theatres of war by relieving some of their most serious shortages in materials. The Free Chinese Government recently revealed that it has not stopped the production of export goods since the closing of the Burma Road. "Pending the resumption of large-scale transportation," the official Chinese statement says, "raw materials are bought for storage at key points ready for shipment to India and beyond." The raw materials expressly named include tung oil, tungsten, silk, tin and antimony, all of which are of outstanding military importance and all of which are in short supply both in the United States and in Great Britain.

Europe's Future

[BY A CORRESPONDENT.]

A BOOK* has just been published which collects the opinions of various Allied statesmen in London about the future of Europe. Here are sketched out in broad outline the views of spokesmen for the free Governments of Poland, Belgium, Greece, Yugoslavia, Czechoslovakia, Luxembourg, Norway and Holland on political, military and economic matters. In the main, it is their belief that the political foundations of the New Europe must be laid first.

Thus, Poland's Foreign Minister, Count Raczynski, is concerned primarily with political resettlement. Dr Gerbrandy, the Dutch Prime Minister, says: "We need statesmen more than economists." Prime Minister Pierlot of Belgium calls for "First and most of all security." M. Tsuderros, Prime Minister of Greece, speaks of "Justifiable national claims." And President Benes, of Czechoslovakia, stresses the paramount importance of a "peace of punishment." M. Hervé Alphand, in an interview not included in the series done for the *Sunday Times* or printed in this book, has expressed the same view for Fighting France: only 30 per cent of the post-war resettlement, he holds, can be solved by economic means; the remaining 70 per cent is political. Only M. Bech, Luxembourg Foreign Minister, dissents; he maintains that "the future of Europe is likely to be determined more by economic than by political considerations."

Continental or Atlantic?

The core of most of these statements is the problem of inter-state federation. Dr Benes and Count Raczynski point to the scheme for a Polish-Czech Confederation; M. Tsuderros and the Yugoslav Foreign Minister, M. Nintschich, to the agreement for a Balkan Union. Count Raczynski speaks also of new federal structures such as Northern and Southern Slav Federations in Central and Eastern Europe; M. Tsuderros of an Eastern Mediterranean Union; Dr Benes of a German Confederation; M. Nintschich of a revived and strengthened League of Nations; M. Alphand of a Western European Union based on France and including Italy and the industrial districts of Western Germany; and M. Bech of a United States of Europe.

But a note of reserve on these questions is sounded by the spokesmen of Norway, Belgium and Holland. Prime Minister Nygaardsvold of Norway stresses the need for homogeneity, for a common democratic spirit and common economic interests as the necessary conditions for closer collaboration between different nations. M. Pierlot enters the warning that "by extending the area indefinitely the strength and cohesion of the system may be diminished." For Holland, Dr Gerbrandy says: "We have no use for an unreal conception such as a purely European grouping of nations, a United States of Europe." Holland's vast overseas interests and Norway's position as a great shipping

* "Rebuilding Europe." A series of interviews given to Mr Valentine Heywood for the *Sunday Times*, with a foreword by Mr. Eden. Cassells.

and seafaring nation are given as explanations of why these countries lean toward an "Atlantic" rather than a "Continental" system, with their emphasis on close collaboration with the British Empire and the United States of America.

The vital importance of Britain not holding aloof from the European system is stressed no less strongly by those who take the "Continental" view. Count Raczynski calls for British-Polish economic rapprochement. M. Tsuderros points out how Germany has usurped Britain's place in Balkan trade. M. Nintschich states emphatically that "Britain is in Europe and of Europe, and must play her part if peace and prosperity are to be achieved in Europe." The need for Russia's collaboration in post-war Europe is also generally agreed. Dr Benes declares that "I have always fought against the idea that Britain and Russia do not belong to Europe." M. Nintschich believes that only a European organisation including Britain can give hope for the disappearance of the mutual suspicion which might result because of the differences in internal regime between the Soviet Union and the other states of Europe.

Free or Planned

Economic questions are not ignored in these statements; and on the choice between Free Trade and Planned Economy these Allied spokesmen are somewhat divided. Count Raczynski deprecates the "uncontrolled play of so-called natural forces." Dr Gerbrandy, more rightly perhaps than he realises, regards economic planning as the modern expression of the medieval theory of the "just price." Both M. Tsuderros and M. Nygaardsvold believe in planned economy. But Dr Benes only accepts these views with considerable reservations; and both M. Pierlot and M. Alphand largely disagree. M. Pierlot has "no confidence in a purely planned economy with at its head one or several men in sole charge of thinking and planning." M. Alphand believes in a happy medium between the liberal form of economy and planning.

Great stress is laid by most of the speakers on the economy of large-scale territorial units and on the necessarily international character of post-war economics. All insist upon the necessity of establishing a sufficiently high standard of living and developing adequate buying power in every country. M. Pierlot shows how Belgium must export or starve. M. Nygaardsvold emphasises the fact of Norway's shipping services as its only means of payment for imported raw materials. M. Tsuderros stresses the need for large-scale British purchases of raw materials in the Balkans. M. Alphand points to the all-important part which the creditor nations, mainly the United States, will have to play in determining the character of international trade after the war. Dr Benes and Count Raczynski are most concerned with the peculiar economic difficulties of Central and Eastern Europe, the need for carefully planned industrialisation and modernised agriculture in this "distressed area."

The views expressed are many and varied. Sometimes they are in conflict. As Mr Eden points out in his foreword, the views in this book sometimes differ from each other and from the views of His Majesty's Government. It is better so. Diversity gives life and resilience to an Alliance.

Crucial problems are made plain and solutions are suggested. It is now for the United Nations, in frank discussion, to hammer out the final practical remedies.

Books Received

- X *The Taxation of War Wealth. Second Edition.* By J. R. and U. K. Hicks and L. Rostas. (London) H. Milford. 304 pages. 12s. 6d. net.
- Social Structure.* By H. A. Mess. (London) Allen and Unwin. 127 pages. 6s. net.
- Central America.* By C. M. Wilson. (London) Allen and Unwin. 293 pages. 12s. 6d. net.
- The New Economic Warfare.* By A. Basch. (London) Routledge. 156 pages. 7s. 6d. net.
- X *Studies in National Income, 1924-1938.* Edited by A. L. Bowley. National Institute of Economic and Social Research. Economic and Social Studies, No. 1. (London) Cambridge University Press. 255 pages. 15s. net.
- The New Population Statistics.* By R. R. Kuczynski. National Institute of Economic and Social Research. Occasional Papers No. 1. (London) Cambridge University Press. 31 pages. 1s. 6d. net.

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German Europe

Financial Makeshifts

A MODIFIED financial policy came into force in Germany on October 1st. The stop on advance payments for armament orders will temporarily reduce short-term borrowing. The equalisation payments of house-property owners to cover the abolished rent-tax, which amount to roughly Rm 8,500 millions, must be completed by the end of the year. These measures followed the registration and the call-up of shares which resulted in a virtual standstill of business on the share markets. Speculation in shares came to an end, and the share price index fell slightly to 154.68 (1924/26 = 100) in September against the record level of 159.6 in September, 1941. A great number of shares are no longer quoted, and the strange situation has arisen that there is now a lack of demand for shares. Meanwhile, the Government has accumulated a considerable stock of shares in exchange for Treasury bonds, but there is no indication that these funds will be used for intervention.

The necessity for paying Rm 8,500 millions as equalisation for the abolition of the rent-tax led to some movement in fixed interest securities which have been an almost completely blocked market for several years. Individual house-owners and particularly savings banks and insurance institutions, which hold large house properties, have been forced to realise securities for the purpose of paying the equalisation. At the same time, new mortgage bonds, amounting to roughly Rm 2,000 millions, are to be issued and will be used to finance the equalisation payments of house-property owners who are unable to realise capital for the purpose. The mortgage bonds will be issued at 102.5, which is the stabilised price. These movements have resulted in a general fall in the prices of industrial obligations, communal loans and some series of Treasury bonds—which is interpreted by the press as a necessary levelling up of the difference between the yields of shares and fixed-interest securities. As usual, the press hopes that the new measures will re-establish almost normal conditions on the capital markets. But the most that can be expected is a few months of abnormal activity in fixed-interest securities, which will temporarily ease public borrowing, the strain on which has been reflected by the continued preponderance of short-term borrowing.

Industry and banks will be equally affected by the new measures. Financial liquidity in industrial circles will undoubtedly decrease because of the stop on advance payments by the Reich. The banks already report an increase in loans. Naturally, after a relatively short time, the old position will be restored, because of the continued financial demands of the Government. Average monthly borrowing by the Government amounts to roughly Rm 4-5,000 millions. There are indications that the financial demands of the Government have been increasing at a greater rate lately, while there is no longer any increase in revenue.

The question is being asked in the press whether the state will derive any real advantages from the new measures. It is obvious that no new resources have been opened up to tap. The Exchequer will receive, however, the equivalent of 10 annual instalments of the rent-tax in a period of three months. But a considerable part of these payments will be made in Treasury bonds, and the result is a reduction in the interest payments to be made by the state. It can safely be said that the new measures will not change the general trend—a more rapid increase in the rate of borrowing, coupled with an almost stationary rate of revenue receipts. Temporarily, short-term borrowing will fall, and, again temporarily, the market for fixed-interest securities will become brisk.

Coalmining.—There is no longer any doubt that all efforts to increase Germany's coal output have failed. Costs of production are steadily rising, and the reports of coal-mining companies for 1941 again show smaller profits. A considerable reduction in the number of skilled miners is one of the main causes, and there are indications that the *Wehrmacht* was asked some time ago to release miners. Foreign workers and prisoners of war are being employed in the industry in considerable numbers; their efficiency can hardly be satisfactory. The peculiar working conditions in the mines, that is, the fact that miners work in gangs, mean that there has been an actual decline in the wages

of German miners because of the reduced payment to foreign workers. This is the main reason why Goering has announced an increase in the wages of coal-getters. The press makes it clear that the new decree simply restores the wages which were paid before. Exceptionally high wages earned under favourable mining conditions will at the same time be reduced.

Coal supplies for the civilian population have deteriorated, and coal rations for this winter will be much smaller than last year. Generally speaking, the rations depend on the supplies which the Coal Board will allocate to retailers; and it has been announced that the quantities will be smaller. The heating of rooms and offices is forbidden until the opening of the heating period is officially announced. This has not yet been done. Each household may heat only one room. Hot water may be supplied only on two days each week. Consumers are asked to get their coal themselves in sacks or small carts from the retailers because of the lack of transport and workers. It is expressly stated that applications for additional coal will be of no use. Apart from the armament industry, only agriculture, bakers, butchers, commercial gardeners and dairies will get full supplies. The quotas for offices, restaurants and schools will be only 50 per cent of normal consumption.

Stocktaking.—The manufacture of stoves, hardware and household utensils has been reduced even below the bare minimum, and, as a result, stocks in factories, wholesale and retail trade are dwindling. The greater part of these commodities are also used by the *Wehrmacht*, and preparations are being made to secure the necessary supplies for the *Wehrmacht* from available stocks. All stocks of stoves must be registered with the Control Board, and 25 per cent must be kept in readiness for delivery to the Board. Wholesalers and retailers are also ordered to make an inventory of stocks of hardware, household utensils and agricultural implements. It may be assumed that statistical material is being collected in preparation for rationing—which has already been practised locally or individually by retailers.

Transport Regions.—Even before the war, Germany tried to organise transport regions for agricultural products based on the system of compulsory marketing. Big towns were allotted regions for the supply of milk and butter. Continued transport difficulties have now resulted in extending this scheme to eggs and vegetables. For certain commodities, general transport limits have been fixed. Bread may no longer be transported over distances exceeding 31 miles. For the transport of beer the limit is 150 miles. In the tobacco industry, each factory will be allotted a supply region. In industry, similar restrictions have been in force for a long time for coal and coke. The latest move in this direction is the creation of a central department which will act as a kind of clearing station. This central department will determine which factory is to execute orders in such a way that transport distances may be drastically reduced.

Belgian Trade.—For the first time since the Germans occupied Belgium, information has been published about changes in Belgian foreign trade. Before the war, 44 per cent of Belgium's imports were supplied by overseas countries, which received 37 per cent of Belgium's exports; the value of exports amounted to 91 per cent of imports. In 1941, Belgium's total exports amounted to 157 per cent of total imports. The share of the most important countries in Belgium's foreign trade was as follows (as percentages of total imports and exports):—

	Imports		Exports	
	1938	1941	1938	1941
Germany	11.0	66.0	12.0	72.0
Holland	9.0	12.0	12.0	13.0
France	14.0	11.0	15.0	10.0
Italy	0.94	2.2	1.15	0.46
Switzerland	1.19	2.64	2.71	0.66
Hungary	0.16	1.22	0.07	0.10
All other countries..	63.71	4.94	57.07	3.78

Unfortunately, the official Belgian report gives no information about the actual value and volume of foreign trade. There is, however, no doubt that the volume decreased considerably.

Russia at War

Social Services

THE scope of the social insurances guaranteed to Soviet workers and employees by the state has in principle been very wide. Workers and employees have been entitled to receive medical services free of cost; rest homes and sanatoria have been reserved for the sick; and the families of incapacitated and old-age pensioners have been entitled to regular allowances. In practice, however, this very generous legislation has been implemented only in part. In peacetime, medical services for workers were relatively well organised in the capital cities and the largest industrial centres; their quality was poorer in the provinces. Rest houses and sanatoria were far too few to meet the needs of all the working population; and, consequently, they were reserved mainly for the Stakhanovites and the higher stratum of Government officials. But the policy was progressive, and it definitely aimed at the utmost extension of social services; it was simply that the lack of adequate facilities placed limits on the pace of progress.

The war has inevitably entailed a sharp curtailment of social services for the civilian population. This has happened, not through any changes in legislation, but rather as a consequence of the prevailing conditions. The wartime shortage of doctors and of medical supplies has been very acute. The hospitals have been overcrowded with wounded soldiers. So have been the rest homes and sanatoria. The Army, naturally enough, has first claim on the existing facilities. But the press has recently launched a campaign for an improvement of health services in the rear.

In any matters connected with health preservation [says *Pravda*], whether it is a question of staff or medical supplies, the front is to be considered first. But this does not dismiss the question of care for the rear which is producing new fighters, healing wounded and sick men and Commanders of the Red Army, securing steady work in defence industries and in agriculture.

Confronted with a shortage of medical supplies, local health departments sometimes applied to the central authorities for help. They have now been warned not to rely on any such help, and to mobilise their own "local resources." Provincial Soviets have been obliged to start producing drugs and medicines on the spot. Shortage of fuel is another grave preoccupation of the health departments, which have been put under the obligation to supply hospitals and rest homes with fuel reserves before November 1st. It has also been made the task of the local Soviets to lay in special stores of vegetables for the use of health institutions. Industrial managers have been reminded that their preoccupation with matters of immediate production should not lead them to disregard the need for sanitary and medical services. In some industries, special "factory insurance councils" have been set up to look after the organisation of social services in the factories.

The needs of evacuated and homeless children is one of the gravest problems with which the social services are confronted. Hundreds of thousands of such children have been accommodated in the Asiatic republics, where they have been provided with communal housing, feeding and with educational facilities. The Central State Bank has recently started a special money collection for their benefit. Homeless and uprooted children—it should be remembered—were a most tragic feature of Russian life during the first years after the civil war. They lived in gangs in the great towns, or wandered around the country, defying all the efforts of the authorities to bring them back to normal life. Juvenile delinquency assumed a prodigious scale, and it took the Soviets many years to liquidate that sad consequence of the civil war. To prevent the recurrence of a similar disaster, and to save for Russia its young generation—of which so high a proportion has been orphaned or rendered homeless—has therefore rightly been set before the organisers of the social services as their supreme task.

ARP in Winter.—The ARP organisations are preparing for the winter. Their male personnel has been heavily depleted by call ups during the year; and the new inexperienced staff is now undergoing intensive training. The peculiar problems of ARP work arise from the severe climatic conditions of the Russian winter. Last year, for

instance, the frost frequently made roof-spotting impossible. This year, a "continuous fire service" with uninterrupted roof-spotting has been demanded by the press. ARP organisations have been instructed to supply the roof-spotters with warm uniforms and to build huts or shelters on the roofs for their protection against wind and snow. The restoration of damaged water and gas pipes during the frost is another difficulty; those responsible for this job are urged to prepare in advance the necessary stocks of standard parts and of constructional and protective material. ARP detachments have been subjected to military discipline in order to secure "the maximum unity and organisation as well as the continuous training and hardening" of the personnel.

Production in September.—The latest monthly production records have been very encouraging. A substantial increase in output has been reported from all branches of industry. The most unexpected report comes from the coal mines of the Kuznetsk basin, which were only a few days ago sharply reprimanded for "lagging behind." It is now stated that the Kuzbass increased its coal output by about 10 per cent during September. The supply of electricity to industrial plants is also said to have increased, in some cases by 13-19 per cent. The production of machine tools was 27 per cent higher during the third quarter of the year than during the second quarter. The output of tanks and aircraft is also reported to have "risen steeply"; many aircraft factories exceeded the plans for September by 7-9 per cent.

A special industrial drive has been started throughout the country in connection with the forthcoming 25th anniversary of the October Revolution. Most factories have undertaken to produce for the anniversary large additional quotas of munitions, in excess of their normal plans. Simultaneously, a new campaign to strengthen labour discipline in industry has been started. The powers of foremen in the factory have been widened. And the press has urged the courts not to show any indulgence to workers tried for absenteeism. An absentee who leaves his district without permission is tried as a deserter. Only the worker who is absent from work without actually leaving the district is tried for absenteeism. *Pravda* has recently demanded that the deserter-clause should in cases of particular persistent absenteeism also be applied to such offenders who do not leave the district.

State Labour Reserves.—M. Moskatov, the chief of the central administration of labour reserves, in a recent press interview, summed up the results of the work of his department in two years. The state labour reserves were organised soon after the collapse of France, with a view to the anticipated demand of war industries for an additional supply of skilled labour. According to M. Moskatov, the labour reserves have in the meantime trained about one million skilled workers; and, within the next few months, five hundred thousand new trainees will be released for work in defence industries and in transport. The mass of the trainees consist of youths substantially below the military age. M. Moskatov has also announced that, in the coming year, the training of young people will be continued on a mass scale so as to release the maximum possible number of adults for military service.

Special working squads for collecting arms, equipment and metal scrap on the battlefields have been set up. The squads are to be responsible for preventing the arms from being spoilt on the fields.

A great irrigation canal was opened at Stalinabad, the capital of the Tadzhik Republic. The canal is 30 miles long. Fifty thousand collective farmers were employed in the building work. The canal will increase the area of arable land by nearly 100 thousand acres.

The famous Saltykov-Shchedrin Library has been evacuated from Leningrad to the east. The same library was evacuated from St. Petersburg during the Napoleonic war.

THE BUSINESS WORLD

The Supply of Fish

BEFORE the war, the fish trades were in the class of problem trades. Catches had to be sought increasingly far from home waters. Trawlers and drifters were ageing and replacements were few. The system of distribution from port to consumer was wasteful in the extreme. It had never been redesigned in the light of improved transport facilities; it remained as it was when the only way to move fish quickly was by passing it through many hands in small quantities. Port wholesalers bought fish when it landed, and sold it, sometimes to other wholesalers, who parcelled it out again, but mainly to inland wholesalers throughout the country. Billingsgate is perhaps the best known inland market. From the inland markets, the fish travelled to the retailers. Port wholesalers, who sold direct to retailers and fish-fryers in a few cases, greatly increased their numbers during the peace years.

The consumption of fish rose. Estimates made by the Ministry of Health put the weekly consumption in the United Kingdom at 0.79 lb. a head in 1909-13; it had hardly risen by 1924-8, but by 1934-5 it was 0.87 lb. a head. Not only did consumption increase, but the kind of fish consumed changed. The herring drifters fell on bad times. The development of the steam trawler enabled longer journeys to be made to the white fishing grounds. In addition, the cod's whiteness and lack of bones appeared to compensate the fish-eater for its poverty of flavour, and what the cod gained in popularity the herring lost. Between 1913 and 1937, landings of cod were more than doubled, and herring landings had fallen to less than half.

The fish-fryer was probably responsible to a large extent

for the rise in consumption, and the swing-over to cod and other white fish. His activities began in the north, where he is now an institution. The provision of ready-prepared hot meals for the family supper table solved the problem of the working housewife. Fryers spread to the south, and by 1937 there were nearly twice as many fish-fryers as fishmongers, and about half the white fish consumed passed through their hands. Their staple was cod. A publicity campaign boosting the herring hardly affected sales.

The need for reorganising the fish trade was well recognised, and between the wars was the subject of much Government activity. In 1935, the Herring Industry Board was set up, and although it did useful work, it was not able to achieve the drastic measures needed to remodel the industry; it was scarcely able to arrest the decay into which the trade was falling. The White Fish Commission's problems were not, perhaps, so great, but it hardly had time to do more than register persons engaged in the industry before war was declared. The outbreak of war was the signal for both organisations to wither away.

Fish was the first foodstuff to be affected by the war. Fishing grounds and the routes to them were mined; the Admiralty requisitioned trawlers; and fishermen were sent minesweeping. Probably no other foodstuff has presented so many difficulties to the Ministry of Food. There are two main reasons for this, both largely unavoidable. Fish is the most perishable of foods, and the quantities available for distribution depend on numerous uncontrollable factors. The Food (Defence Plans) Department, unfortunately, made no plan for fish. Three years were taken to work out plans for meat; and, under peace conditions, fish might well have taken longer. There is no evidence that steps were taken to store fish in cans, which would have provided a food stock against future shortage, and helped the fishing industries over lean times.

The Ministry of Food has admitted that its earliest attempt at wartime control failed partly through lack of adequate planning. But it also claims with some justification that it had bad luck. It had been thought that the ports and London would be immediate objectives of the *Luftwaffe*, and a hurried plan was made involving the closing of Billingsgate, and the decentralisation of distribution. The "bad luck" was freedom from air raids, the interference with transport caused by the unfamiliar black-out, the unexpectedly small supplies of fish, and the opposition and complaints of the fish trade. The normal distribution process was resumed after about two weeks.

Meanwhile, prices soared. According to the figures given in the *Ministry of Labour Gazette*, the retail price of fish rose by 35 per cent, between August 1st and October 15, 1939, although the prices of other foods scarcely changed. Prices of herrings and some herring products were controlled in October, 1939. A year elapsed before control was extended, by which time prices were almost two-thirds higher than before the war. Imported cod fillets were the subject of the next step in price control, followed in March, 1941, by Icelandic cod. These measures did nothing to arrest the upward trend of prices, because for a variety of reasons, imports of cod stopped.

Prices had risen to their highest in April, 1941, when they were 120 per cent above the pre-war level. A more determined effort was made to reduce them in the following June, when prices for all fish, except shell-fish, salmon, trout and pickled herrings were fixed, in the teeth of trade opposition. The effect of these reductions was to bring the general level down to 60 per cent above the August, 1939, level. Further reductions were made in October, 1941, and later salmon prices were controlled, scaling prices down to less than 50 per cent above the peacetime level. The most recent reduction in prices took place on October 5th, and affected only cheaper varieties of fish.

Maximum prices were accepted by the trade under threat of control of distribution. It was evident that at least some tidying up of distribution was essential. This year internal transport problems have become more acute, and the

Minister of Food has initiated a series of sector schemes for the transport of various foods. These are designed to limit transport as far as possible within the regions in which the foodstuffs are produced. Fish could not remain an exception, and its own zoning scheme comes into operation this week-end.

Fish landed at the ports is distributed only within the prescribed zones, which are based on the relationship between the estimated landings at the ports and the population within each area. Allocations are made at each stage of distribution. The scheme has involved a reshuffling of customers, which has been undertaken by the trade itself. Inland wholesale merchants are limited to deliveries within 20 miles of their premises. The Birmingham area draws supplies from Fleetwood and Hull. London supplies may come from any port, and the area within which London merchants may deliver fish is wider than the 20-mile limit imposed on other zones. If the zoning scheme can achieve an adequate and equitable distribution of fish, it may prove to be outstanding among the Ministry of Food's many triumphs. It is to be hoped that the fish trades will co-operate despite their early objections.

Finance and Banking

Expanding Circulation

The note circulation has again entered one of its periods of rapid and persistent expansion. Over the week to last Wednesday a further net outflow of £3,035,000 of notes took place, carrying the total active circulation to £846,277,000 and the reserve of unissued notes down to £33,965,000. Further increases in wage rates, the continued absorption of women into industry and the regular arrival of well-paid United States troops are among the main contributory factors in this movement. There is no particular seasonal explanation to advance for it, and one must assume that the secular trend in the circulation is still strongly upward and that in consequence a further adjustment in the fiduciary issue will have to be made within the next few weeks. The loss of the Government securities which were transferred from the banking to the issue departments of the Bank of England on the occasion of the last increase in the fiduciary issue is gradually being made good as the notes then created go into circulation. Thus over the week to last Wednesday a further addition of £6,340,000 was made to the Bank's holding of Government securities, carrying the total to £154,777,000, or within £12,000,000 of the figure at which this item stood on July 22nd last, just before the latest expansion in the fiduciary issue. By this gradual rebuilding of Government securities, the deflationary effect of the withdrawal of notes on the volume of bank cash is effectively neutralised. Bankers' deposits fell by £2,938,000 over the past week, but this movement was approximately balanced by an increase of £2,389,000 in public deposits from the exceptionally low level to which they had fallen the week before.

Record Bank Deposits

By the close of September the seasonal contraction in bank deposits which, helped by the issue of tax reserve certificates, had carried them some £258,000,000 below their previous record of £3,329,155,000 reached on December 31, 1941, had been more than recovered. Between the August and September making up days, the total deposits had risen by £53,601,000 to the new record of £3,358,249,000. The expansion in the banks' holding of Treasury deposit receipts continues to be the main factor in this expansion of credit. Last month, this item rose by £59,000,000 and thus more than accounted for the whole increase in deposits. Concurrently, the banks' investments rose by £15,213,000, but these increases in Government paper were to some extent offset by a further reduction of £9,133,000 in advances, of £6,886,000 in bills discounted and of £6,428,000 in short loans. Their contrary movements are bringing advances and TDR's into close proximity, and the day does not appear far distant when advances, which in June, 1941, yielded first place among assets to investments, will yield second place to TDR's. Last month's expansion in bank credit was based on a slightly smaller volume of cash, the total falling by about £2,000,000.

It remains doubtful, however, how far this latest control measure will go towards eliminating waste in the fish industry—a waste which begins with the enormous number of fish eggs laid which never come to fruition, and ends only when the housewife throws away the heads and bones, and scraps from the plates of her family. In the August number of *Scope*, what is claimed to be a "revolutionary plan" for reorganising the fishing industry is outlined. It has been worked out by Mr C. S. Townsend, who describes himself as an industrial development consultant. The plan is ingenious. It is modelled on the practice of the American meat packing firms, which process animal by-products at the canning factories. The edible parts of fish would be separated from the rest. Only the fillets would eventually reach the customer, either fresh, smoked, quick frozen, or treated by a new process. From the remains of the fish, a wealth of chemical and medicinal substances would be obtained. The demand for these products would, he claims, not only rehabilitate the fishing industry, but extend its scope. Whether such a plan could be imposed upon the industry at the peak of the national war effort is another kettle of fish entirely.

Whether this was due to smaller indulgence in window dressing will be ascertainable when data of the clearing banks' average holdings of till money for September become available.

(In £ millions)

	Sept. 1941	May 1942	June 1942	July 1942	Aug. 1942	Sept. 1942
Capital and reserves	140.2	140.3	140.3	140.3	140.3	140.3
Acceptances, etc.	101.5	95.9	92.4	89.8	88.8	90.7
Notes in circulation	1.4	1.5	1.5	1.5	1.5	1.5
Current, deposit and other accounts	3,114.5	3,131.2	3,263.1	3,264.0	3,304.6	3,358.2
Total liabilities	3,357.6	3,368.9	3,497.3	3,495.6	3,535.2	3,590.7
Cash	330.0	326.4	354.6	341.9	351.3	349.1
Cheques, balances, and items in transit	112.7	125.2	143.2	115.3	112.8	116.8
Money at call	134.0	133.1	147.3	131.7	133.2	126.8
Discounts	315.1	290.7	292.0	272.5	283.4	276.5
Treasury deposit receipts Investments	531.0	470.5	542.5	607.0	634.0	693.0
Loans and Advances	939.3	1,049.4	1,058.3	1,074.8	1,081.5	1,096.7
Investments in affiliated banks	826.2	810.7	800.3	795.9	783.5	774.4
Cover for acceptances, premises, etc.	23.8	23.8	23.8	23.8	23.8	23.8
Total assets	3,357.6	3,368.9	3,497.3	3,495.6	3,535.2	3,590.7

Floating Debt Policy

For the second week in succession, the amount of Treasury bills offered for tender has been increased by £5,000,000. The total tendered for this week will be £85,000,000, and next week's payments for Treasury bills will thus exceed the maturities by £10,000,000. This rapid increase in the issue of Treasury bills clearly reflects a change of some moment in the Treasury's floating debt policy. The rigidity which kept the weekly offerings of bills at £75,000,000 for 39 consecutive weeks from April 18, 1941, to January 9, 1942, and again for the 33 weeks from February 20, 1942, to October 9, 1943, is probably making way for a partial return to the former elasticity of the Treasury bill issue. Admittedly, Treasury Deposit Receipts have usurped Treasury bills as the principal floating asset of the banking system. The clearing banks, according to their latest statements, held some £700,000,000 of TDR's, against some

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£260,000,000 of Treasury bills. But as a means of adjusting the cash position by countering a heavy seasonal drain, such as that caused by the particular incidence of tax payments in the final quarter of the financial year, TDR's are not a particularly effective instrument. To endow them with all the virtues as a "quick asset," they should be made discountable at their rate of issue—1½ per cent—against tax payments, just as they are against subscriptions to new Government loans. In the absence of such facilities, it is on the now narrow margin of Treasury bills held by the banks that must fall the main brunt of evening out drains on cash caused by factors other than subscriptions to Government loans.

The consequences of this disparity between the banks' discounts and the task they may be called upon to perform was well illustrated in the early months of this year when, for some weeks on end, the clearing banks virtually ceased to buy any bills from the discount market. During this period, the discount market continued to apply for its normal quota of bills at the weekly tenders, but it was selling bills back to the authorities at 1 per cent almost as fast as it was buying new bills at 1 1/32 per cent. There is every reason why the authorities should avoid a repetition of this absurd procedure. The best way of ensuring that the banks are not frozen out of the discount market by the seasonal incidence of heavy tax payments in the months of January to March is to provide them with a larger volume of bills maturing in those difficult months. That is what is being done now. The discount market contends that no part of the increased application for bills on Friday of last week was made on its behalf. It must, therefore, have been content with the modest increase in its allotment from the previous week's figure of 33 per cent to 35 per cent. Even if there be no rigid adjustment of the discount market's quota to the actual amount of bills on offer (anything rigid or automatic is anathema to the mechanics of the London money market), it must be assumed that measures will be taken to ensure that a considerable part of the increased issue of Treasury bills will find its way to the discount

houses. It is from them that the clearing banks obtain the bulk of their Treasury bills, and it would defeat the whole object of the current expansion in the Treasury bill issue if the excess were to by-pass the discount market.

Bombay Bullion Dealings

Although the Bombay bullion market has been officially closed since August 26th last, except for the settlement of outstanding transactions, a small private business both in gold and silver has been taking place. The quotations which ruled when the market was closed on the outbreak of civil disturbances were Rs84 annas 6 per 100 tolas of fine silver and Rs54 annas 2 per tola of fine gold. Unofficial business reported at the beginning of this week was being transacted at Rs101 for silver and Rs59 annas 8 for gold. By mid-week these prices had risen to Rs103 and Rs60 respectively. The business passing at these quotations is small, and undue significance must not, therefore, be given to them. But the trend of prices they indicate cannot be altogether ignored. The latest Bombay quotation for silver gives a straight London parity of 45½d. per standard ounce, or very nearly twice the price at which silver continues to be fixed day by day in London and at which it is sold to approved buyers by the Indian Government. The London price is also lower than the New York quotation, which now rules at an equivalent of about 25d. per standard ounce. If the drain on Indian reserves caused by United Kingdom industrial requirements for silver were not so small, the subsidy being granted to domestic users of silver at Indian expense would have drawn some protests from that country (the fact that most of the potential protestants are in prison perhaps accounts for the silence on this subject). The current Bombay quotation for gold is equivalent to a sterling price of £12 an ounce. It is interesting to note from the rising trend of gold prices in India that the keenly sensitive and discerning local operator has found little of which to be frightened in the recent measures taken to restrict severely the production of gold in the United States and Canada.

Investment

Guidance for Shareholders

According to the published figures, the trading profits of Triplex Safety Glass rose from £102,355 in 1939-40 to £187,041, only to fall back in 1941-42 to £87,725, the lowest for a decade. On the announcement of the figures, the price of the 10s. units of ordinary stock fell from 33s. 6d. to 30s. 3d., and, on the speech, declined further to 29s. In commenting on the former fall, the chairman and managing director, Mr Graham Cunningham, is reported, according to an abridged version of his speech, advertised only in the *Times* and the two financial dailies, to have said:—

In 1940, I forecast a good year, but last year I gave a warning hint to you, but many did not heed me. What is the use of my addressing stockholders each year if they do not listen to my words? We expend money on publishing what I say; yet it seems it is not read.

What was this "warning hint" which is now considered to have been sufficient guidance for shareholders at a time when a ten-year low record in trading profits was anticipated? Repeated inquiries have failed to secure full copies of the chairman's recent speeches, and it is only possible to quote from the abridgement of last year's speech, as advertised on October 9, 1941. The only relevant paragraph ran as follows:—

Last year I said we had every reason to look forward to this year's accounts with optimism. . . . Happily, my forecast was right. This year I do not propose to anticipate the future, so that next year I think you will again agree that I was right.

Does the chairman really consider a statement of this sort a sufficient pointer to the company's prospects or a suitable basis for an investment policy?

If Mr. Cunningham wishes to reach his shareholders, of whom, he says, there are over 10,000, his choice of papers to advertise the contents of his speeches is, perhaps, not the best possible—when it is borne in mind that the speeches are not circulated. Despite the pleas of the Minister of War Transport, Mr. Cunningham continues to exhort the proprietors "to attend the meeting and hear about their company for themselves." But a large

number of people comb chairman's statements daily as a guide to investment policy, and this poor technique of distribution would not explain the price movement; it would only mean that many people got the information before the bulk of the shareholders. In plain fact, Mr Cunningham's "hint" is just a rather exaggerated instance of the widespread practice of treating the owners of the business, as though they were to be dismissed with the barest minimum of information. Short of prophecy, which is not to be expected, it should be possible, in the fourth month of the accounting year, to give some indication of progress. Without endangering national security, a statement that profit margins were narrowing, and that earnings might be down, despite increasing business, would have been possible. Actually, a "hint" on this point is now available. For Mr Cunningham discloses that the company's policy is to make margins "such as to render to the country the greatest sacrifice we can afford." He does, however, go on to say that the board do not expect any noticeable change for the better. Having relented so far, perhaps he will next year go a step further. His latest speech, as advertised, could have been printed twice over on the blank pages of the report and accounts. Or, if this is too much to ask, those responsible could please the Paper Control by printing the advertised report, as it stands, on about half the paper now used at a small sacrifice of appearance.

Newfoundland Power Conversion

Of a further group of conversion operations the most interesting is the proposal to replace £1,692,600 Newfoundland Power and Paper 5½ per cent "B" debenture stock by £1,777,200 3½ per cent stock, of similar rank, of Bowater's Newfoundland Pulp and Paper Mills, which assumed, some years back, responsibility for the maturing issue. This is to be repaid, in the revised terms of issue, at 105 on January 15, 1943, and holders are offered in exchange an equal amount of the new stock, plus 5 per cent premium in cash. The Pulp and Paper company is controlled by Bowater's Paper Mills, who hold all the common shares. It is part of the arrangement that this company shall buy the whole preference capital, at present held by Securities

Management Trust, subsidiary of the Bank of England. In consideration for this, the trust will help in underwriting the new issue. The other underwriters are the Newfoundland Government and Bowater's Paper Mills, none of whom receive any commission. Thus, the British company increases its investment and the Bank of England's subsidiary its liquidity, possibly in preparation for larger tasks in some post-war sphere. The Newfoundland Government guaranteed the maturing issue as to both principal and interest, and will continue its guarantee. The new stock is repayable 1960-70, the final date being that to which the old stock was extended from 1943. The Pulp and Paper company, who offer the new debenture, has had a somewhat varied experience. During the five years 1928-32, total earnings, after depreciation and debenture service, aggregated some Can.\$3,500,000. In the following six years there was a corresponding debit of Can.\$1,500,000 odd, and, in the three years 1939-41, a credit of nearly Can.\$2,500,000, closing with Can.\$42,677 for 1941, which is not likely to be repeated in 1942. On this showing alone, the debenture service is well covered, if profits can be approximately maintained, and this performance, plus the Newfoundland guarantee, made the 5½ per cent yield attractive. Newfoundland is now prosperous, although its direct loans still carry the backing of the home Government under the Newfoundland Act of 1933. Neither backing alone warrants a 3½ per cent basis. The investor would like to know the state of Newfoundland's finances, and whether the British Treasury stands behind the Newfoundland guarantee. It will be interesting to see the reception given to the offer.

The Future of Gold

This week has witnessed the 450th anniversary of the discovery of San Salvador by Christopher Columbus, an event which ushered in both the discovery of the New World and the first of the great additions to the Old World's stock of gold. Within a matter of days before, the United States had announced that gold mining, as such, was to be suspended, to release the labour force for the war effort. Almost within hours, a similar, if rather less drastic, decision was taken in Canada. Earlier, a partial transfer of workers from gold mining to base metal production had been effected in Australia, and the process continues. So far, there is no news of any effective curtailment in India, but in South Africa, although production goes ahead, some schemes of new development have had to be abandoned, while much of the above-ground staff of the Rand is occupied in direct contribution to the war effort in one way or another. Elsewhere, within the Empire, where the labour employed is even more predominantly lacking in any alternative training, and the opportunities for alternative employment are restricted, there is a considerable probability that production will be curtailed by lack of materials and supplies. In a couple of decades, the bulk of the European accumulation of four and a-half centuries has found its way into the coffers of the United States Treasury. Apart from the industrial demand, which is far below the rate of output, there is only one final buyer of the metal, and his appetite must long ago have been satiated. It is very difficult to see, in the postwar financial system, as now envisaged, the place for gold. One may be found, but from being the one commodity for which there was always a certain market, and—thanks to the prevalence of debasement and inflation—usually at rising prices, gold may drop to a comparatively humble place in the scale of the world's preferences. Admittedly, this is still in the realm of speculation and far from certain. A way may well be found to restore the monetary function of gold. The chance that this will not be so is, however, sufficiently great to make it very desirable that any country, or district, which relies mainly on gold production should take it most earnestly into account. Professor Frankel, of Johannesburg, has recently pointed out the need for a greater diversification of output within the Union. There is no other country in the world which relies as extensively on gold production for its prosperity as does South Africa, but there are many considerable areas to which the advice is equally applicable.

Metropolis and Bradford Sale

The decision of Associated British Picture Corporation to part with its 25 per cent holding in the 8s. 3d. "B" shares of Metropolis and Bradford Trust, appears to complete the separation of this group from the Gaumont-British interests. The Metropolis company controls Gaumont-British through a holding of some 2,915,000

ordinary shares, but only the "A" shares of the Trust have voting rights, and it was never very clear why the late Mr John Maxwell, then chairman of ABP, acquired the "B" interest without taking part of the "A" capital. Nothing is known of the price he paid, but the present sale price is evidently based on the market quotation of rather over 12s. 6d. for the Gaumont-British ordinary. The buyer is not disclosed, but it is generally assumed that it is General Cinema Finance Corporation, controlled by Mr J. Arthur Rank, chairman of Gaumont-British and Odeon. It is to be hoped that the former company will publish more informative accounts than in the past, and it would go some way toward restoring confidence among conservative investors if the structure of the group were disclosed. So far as it goes, the promise of a consolidated statement for Odeon is a step in the right direction.

Odeon Finance

Mr J. A. Rank made it quite clear to the shareholders of Odeon Theatres that the remarkable rise in profits was due solely to increased box office receipts—55,000,000 more seats were sold than in 1940-41—only partially offset by higher wages and prices for all commodities bought. It is evident that the continuance of such attendances is in part dependent upon factors beyond the control of the management, but it is also obvious that the cinema is the most economical of all wartime entertainments, and the group has shown its confidence in it by taking over, at a cost which is unhappily not disclosed, the four Paramount companies. For the rest, Mr Rank raised three matters which may have a material effect on the future of the group, although its extent cannot be judged in the absence of more details. Details are promised for next year, at least to the extent of including a consolidated statement in the accounts. Two financial operations have been undertaken. First, the liquid position has been greatly improved by funding liabilities, more or less current, by the issue of debentures to the tune of £3,500,000 to the company's bankers. A number of valuable properties have been transferred to a new company, Odeon Properties, which has issued these debentures. The remainder of the capital, £1,000,000 second debentures and £1,500,000 ordinary, is held by the parent company. In the second place, the £1,440,000 6 per cent debenture stock of the parent, falling due next year, has been exchanged for £1,512,000 5½ per cent second debenture stock, and 288,000 ordinary shares of 5s. This slightly increases the annual charge for interest and dividend, but repayment is to be effected over 15 years. This will be a substantial charge on profits, but it is estimated to be well within the capacity of the group. In all the circumstances, the arrangements seem satisfactory, as is the assurance that, in future, acquisitions will only be made from resources already available. Finally, it was disclosed that a staff pension scheme is in preparation. No idea of the probable cost is given, but it must be considerable, while wage increases have still to have their full impact. Net profits are, however, protected by EPT.

British Celanese Opposition

A week's consideration has only added to the criticism of the scheme for dealing with the arrears of dividend on the 7½ per cent second cumulative preference capital of British Celanese. Apart from actual comment, the Association of Investment Trusts has advised its members to reject the proposals, while Mr Austin E. Kavanagh, who shepherded the Fine Spinners negotiations to a successful conclusion, has formed a committee of shareholders to oppose the scheme. While the committee has not prepared a detailed alternative, they express the view that the sum

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payable to the shareholders should be 11s. per share; that is, the dividends less tax at the standard rates prevailing at the times the payments fell due. And they suggest that this sum should be met, partly in cash and partly in ordinary shares. They also ask for disclosure of the EPT standard, and characterise the proposal of the board to suspend the appropriation for commutation of royalty as fundamentally unsound. There appears very little to add to the comments made in *The Economist* of October 10th, except on the point of abandoning the commutation provisions. In any circumstances, it would be unsound to abandon the only contribution to writing down intangible assets when they represent over 20 per cent of the balance-sheet total. Under the terms of the scheme, however, 75 per cent of the funds made available for distribution by this policy may go to holders of the equity—in which the second preference have admittedly a share. Were these funds retained in the business, they would stand to benefit the second preference *in toto* before they conferred any gain on the equity. For the rest, the two fundamental points remain. It is in the highest degree undesirable that holders should be asked to sanction such a plan while they are ignorant of the true position of the company, and that position is known and can be disclosed. Further, a debt of £100 due in cash now can only be liquidated by the transfer of assets which will realise £100 in cash now. The scheme fails by both tests.

United Steel Profits

The latest accounts of United Steel Companies show that, for the year to June 30th last, profits, after depreciation, continued their downward trend. The disclosed figure of £2,096,723 compares with £2,247,835 for the previous year. The rise in equity earnings is due to lower tax requirements, and in particular to the absence of any retrospective provision. The ordinary payment is maintained at 8 per cent, covered by a rate of 9 against 8.2 per cent, but as the chairman, Sir Walter Benton Jones, points out, that free surplus is insufficient to devote to reserves. Thus, the carry forward is raised from £427,177 to £477,156.

	Years to June 30,		
	1940	1941	1942
Total profits after depreciation	2,440,977	2,247,835	2,096,723
Taxation	1,493,000	1,341,250	1,154,000
Obsolescence	125,000	125,000	125,000
Interest and deb. redemption	222,366	221,305	220,236
Fees and pensions	138,028	141,198	161,508
Ordinary shares:—			
<i>Earned</i>	462,583	419,082	435,979
<i>Paid</i>	461,994	404,094	386,000
<i>Earned %</i>	8.0	8.2	9.0
<i>Paid %</i>	8	8	8
Carry forward	412,189	427,177	477,156

The accounts point to the maintenance of the previous year's high level of activity, despite the slight fall in debtors in the consolidated statement from £4,945,479 to £4,896,433. Stocks are nearly £300,000 higher at £3,946,257, and creditors some £760,000 higher at £6,471,856. The company's balance-sheet shows a rise in net loans to subsidiaries and associates from £6,818,881 to £6,886,625. While the falling trend of gross earnings may indicate nothing more than increasingly generous depreciation provisions, it is probable that there has been some real decline in profits in view of the known rise in costs, and the narrowing of profit margins on Government work. The concern will have continued to profit from the improvement in the fortunes of John Summers. Fluctuations in net earnings will be cushioned by the incidence of EPT. The £1 ordinary stock, at 24s. 9d. ex dividend, yields 6s. 9d. per cent.

The Debenham Group

The accounts of both *Debenhams* and the leading subsidiary, *Harvey Nichols*, for the year to July 31st last, show a marked improvement in trading results. In his statement, circulated with the *Harvey Nichols* accounts, the chairman, Sir Frederick Richmond, goes so far as to suggest that the trough of the war-time depression may have been passed. In any case, total income of *Debenhams* is up from £627,244 to £707,328, while that of *Harvey Nichols* has risen even more strikingly from £21,292 to £105,548. After placing £50,000, as in the previous year, to tax reserve, *Debenhams* have realised earnings for equity of 42.6 against 22.6 per cent. The management are distributing 12½ per cent against

nil, which compares with 8½ per cent in 1938-39 and over 20 per cent in the three years prior to that. After maintaining the customary transfer of £50,000 to general reserve, the carry forward is raised from £265,292 to £290,689. *Harvey Nichols*, after allocating £13,717 against £8,390 for taxation and meeting £3,755 loss on the sale of steel no longer required, are able to pay off the two years of preference arrears outstanding, requiring £60,000 gross. By bringing in £9,259, placed to general reserve in the previous year, there is created a carry forward of £6,801 against nil. As Sir Frederick points out, the basis of the recovery has been the cessation of bombing in London, the consequent return of numerous potential customers, and the tendency to spend for quality as a result of the introduction of clothes rationing. There has also been some improvement in provincial business, but *Debenhams* has suffered the destruction of premises at Exeter and Norwich in "Baedeker" raids. The balance sheet figures of fixed assets, not adjusted for air raid damage, consequently provide little guidance. *Debenhams'* accounts, now much improved by the provision of a consolidated statement, show surplus liquid assets of the group at £1,394,029. Net loans to subsidiaries are reduced from £822,090 to £471,609. Cash loans of the parent to unspecified debtors, although nearly £30,000 lower, still stand at some £890,000. The outstanding balance of the *Harvey Nichols* debenture issue, at £397,589, is deposited with *Debenhams*. The balance sheets of both concerns show declines in the value of stocks in the order of £50,000, reductions which clearly understate the fall in terms of volume, and represent the least hopeful feature of the accounts. The *Debenhams* rs. ordinary shares, at 38. 1½d., ex dividend, yield £4 per cent.

Montague Burton Further Setback

In the year to March 31 last, total profits of Montague Burton show a fall of nearly £250,000 to £808,690, compared with one of only some £45,000 in the previous year. Despite the decline in war damage liability of £107,500 to £60,000, and of nearly £20,000 in depreciation to £187,596, there is a deficit before ordinary dividend of £34,400 against earnings in 1940-41 of £56,669. Thus, the payment of the 5 per cent ordinary dividend involves a draft on the carry forward of some £90,000, reducing it to £152,503. The following table shows the three years' trend of earnings and allocations:—

	Years ended March 31,		
	1940	1941	1942
Total profits	1,096,572	1,051,805	808,690
Depreciation	209,400	205,913	187,596
Taxation	320,059	257,500	245,000
Staff funds and fees	53,729	28,302	28,169
War damage	...	167,500	60,000
Deb. and other interest*	206,343	220,921	222,325
Preference divs.	130,000	115,000	100,000
Ordinary shares:—			
<i>Earned</i>	177,041	56,669	Dr. 34,400
<i>Paid</i>	64,088	55,729	55,729
<i>Earned %</i>	13.8	5.2	Nil
<i>Paid %</i>	7	5	5
General reserve	50,000		
Carry forward	241,692	242,632	152,503

* Including loan stock sinking fund.
† After writing off £35,794 new issue expenses.

The decline in profits last year, nine months of which covered the first year of clothes rationing, is no doubt mainly due to a very definite curtailment of demand. Logically, rationing should mean a larger demand for quality. But the utility suit only effects savings when production is on a large scale. This may have meant transfers to bespoke tailoring. Moreover, on utility suits and Government orders, the profit margin is no doubt narrower than that on the normal trade. The balance-sheet certainly suggests a contraction of business. Debtors and creditors are both lower—the latter by more than £265,000—and there is a fall in net loans to subsidiaries from £581,614 to £307,481. The decline in stocks of some £450,000 to £1,106,024 is also somewhat ominous, and the consequent accumulation of cash items, which raises the total of net liquid assets from £642,650 to £787,286, is small compensation. The outlook for the immediate future scarcely indicates a marked improvement, and there appear grounds for supposing that a 5 per cent dividend, if maintained, will overtax the company's resources under present conditions. In the circumstances, it might have been more satisfactory to make an immediate cut. The rs. ordinary shares, at 11s. ex dividend, yield £4 11s. per cent, which clearly discounts post-war recovery.

Industry and Trade

Location of Industry

Control over the utilisation of factories and storage space has become an essential counterpart to control over the employment of able-bodied men and women and over the use of raw materials. In the spring of 1941, the Board of Trade created a "clearing house" for factories and storage space, in order to ensure their utilisation in the national interest and to facilitate the speedy substitution of alternative premises for those that may be damaged or destroyed in air raids. In order to avoid any confusion and dislocation of production programmes, arising from the uncontrolled movement of industry, the Board of Trade went a step further in July last year, when it made the Location of Industry (Restriction) Order. This Order made it obligatory for industrialists—but only in the case of premises of 3,000 square feet and over—to obtain a licence from the regional offices of the Control of Factory and Storage Premises before changing the use of existing factories and storage premises or converting other buildings into factories and storage premises. A new Order, which came into force on October 12th, extends licensing to the smaller premises; in fact, a licence must now be obtained whatever the size of the premises. The reason for tightening up the control over the movement of industry is probably twofold. First, the supply of the larger premises may have been exhausted, thus giving rise to a greater demand for smaller ones for work of national importance. Secondly, the Order may be designed to prevent the haphazard growth of small factories, which are often less productive than the larger factories; it is in the national interest that labour and raw materials should be used as efficiently as possible. The extension of the licensing system is justified on either ground.

Coal Production

In a statement on the coal position, the Mining Association has recorded the fall in production since the outbreak of war and analysed its causes. The following table compares the trend of production since 1938 with its course in 1913-18.

OUTPUT OF COAL			
Million		Million	
Year	Tons	Year	Tons
1913	287	1938	227
1914	266	1939	231
1915	253	1940	223
1916	256	1941	206
1917	248	1942	200*
1918	228	...	...

* Annual rate of output during five months ended September was stated by Major Lloyd George to have been "something under 200 million tons."

Although circumstances were in many respects different during the last war, the trend of production was the same as since 1938. Surprisingly, moreover, the percentage fall in production between 1913 and 1916 was almost the same as between 1938 and 1941, that is to say 10.8 per cent, against 9.2 per cent. Again, in 1917, as in 1942, the downward trend continued.

The Mining Association shows in its memorandum that, apart from the coalmining industry's loss of operatives during the first two years of the present war, the main causes of the fall in production were the reduction in output per miner and the growth of absenteeism other than absenteeism due to accidents or sickness. The output per manshift at the coalface has fallen by 1.8 cwt. since 1941, equivalent to a loss of output of 128,000 tons a week or more than 6 million tons a year. Absenteeism among coalface workers rose from about 8 per cent in 1938 to 13.93 per cent. On the assumption that 7 per cent of the total time lost is due to voluntary absenteeism, the Mining Association has calculated that the loss of output due to this cause is equivalent to 330,000 tons a week or about 17 million tons per annum. Moreover, it is shown that the increase in absenteeism is not due to slackness among a minority of coal miners, but is fairly widespread, especially

among the younger workers. If output per head could be restored to the 1941 level and if voluntary absenteeism could be eliminated and the increased number of shifts maintained, the annual rate of production of the industry's present labour force could be raised by 23 million tons, and the coal problem would be solved. The statistics marshalled by the Mining Association are certainly impressive, and they do suggest that the efficiency of the industry's labour force has tended to decline. No doubt there is scope for an improvement in output with the existing labour force, especially if the Ministry of Fuel and Power pushes ahead with its plans for technical reorganisation. But it would be optimistic to assume that the annual rate of production will increase by 23 million tons during the next few months.

Organisation of Chemical Industry

Mr C. F. Merriam, the chairman of the Association of British Chemical Manufacturers, was only following precedent when, in his address to the annual meeting of the Association on October 12th, he devoted part of his speech to its future organisation. A trade association, he pointed out, can only expect to carry weight with the Government if it is fully representative of the industry concerned. After suggesting that it may be necessary to consider the whole structure of the chemical industry to determine whether it is organised to give the most efficient service to the community, he went on to outline certain aspects of the organisation of the Association which may be involved in the shaping of post-war plans. They include

whether it is desirable for membership of a trade association, such as the ABCM, to be compulsory for all firms in the industry; whether such an association should be in a position to enforce its decisions; whether it should exercise control over production and prices.

The chairman of the ABCM did not attempt to answer the questions he raised. But their nature is symptomatic of the present tendency towards enlarging the scope of trade associations and strengthening their authority.

Pit Production Committees

Certain differences between South Wales colliery managers and the Ministry of Fuel and Power over the functions of the new pit production committees have been temporarily adjusted by an assurance from the regional controller that the powers, duties and responsibilities of managers under the Coal Mines Act would not be affected by the detailed instructions which have been issued to these committees. At a meeting of the council of the National Association of Colliery Managers held in London on Wednesday, October 7th, particular exception was taken to a clause in the new constitution providing for the appointment of two chairmen, one from each side, to preside alternately at the weekly meetings, principally on the ground that it would make the maintenance of discipline, already weakened under the provisions of the Essential Work Order, still more difficult and affect unfavourably the management of the collieries. The detailed instructions which have been communicated to the industry by the regional controllers certainly—at any rate on paper—secure for the workmen an effective voice in the control of mining operations. They bring within the scope of the official functions of the pit committees constant and systematic supervision of underground and surface working conditions.

ROYAL BANK OF CANADA

DIVIDEND No. 221.

NOTICE IS HEREBY GIVEN that a DIVIDEND of 1½ per cent., being at the rate of 6 per cent. per annum, upon the paid-up capital stock of the Bank has been declared for the three months ending 30th November, 1942, and will be PAYABLE at the Bank and its branches on and after 1st December, 1942, to shareholders of record 31st October, 1942.

By Order of the Board,
E. B. MCINERNEY, London Manager.

6, Lothbury, London, E.C.2.
October 14th, 1942.

In regard to production, the committees have been officially instructed to consider any factor that may impede maximum production. The committee must, for example, listen to representations from the workmen's side about such matters as (a) the examination and maintenance of haulage roads and return airways; (b) defects in machinery; (c) organisation of the pit with a view to reducing interruptions of work, and ensuring that the cycle of operations is completed each day with a minimum of overtime; and (d) the introduction of underground man-riding facilities whenever possible, as well as other relevant matters. From the management side, representations may be made concerning non-co-operation by workmen in maintaining or increasing output, and failure to clear faces; and although under the Government scheme the committees have been relieved of all responsibility for dealing with individual cases of absenteeism, they are now authorised to deal with the question in general and to pass resolutions. Moreover, it is one of the functions of the committees to investigate the reasons for any failure to reach the output target and to adopt steps to avoid its repetition; while, as regards supplies, they are to consider any shortage of materials or delay in deliveries with a view to making such representations as may be necessary to the regional production director.

It must be left to experience to show how far the exercise of these important functions affecting colliery management and technical conditions governing production can be wedded to the fundamental principle laid down in Section 2 (of the Coal Mines Act, 1911) that "every mine shall be under one manager, who shall be responsible for the control, management and direction of the mine," but where there is mutual good will there is little that industrial co-operation may not achieve, and the new experiment can succeed if it is conducted with the sole purpose of serving the national interest. The root of the matter was stressed by one regional controller in his inaugural communication to the secretaries of the local pit production committees when he reminded them that "in this work you are not meeting as management on the one side and as workmen on the other, but as a body of experts contributing each his own specialised skill and experience to the achievement of a common purpose."

Unemployment in September

After a slight rise in the number of persons registered as unemployed at employment exchanges in Great Britain in July and August, the number on September 12th was down to 104,108, the lowest figure since the war. Decreases were recorded mainly in the number of wholly unemployed. The registration of men and women under the Registration for Employment Order has now been completed. Men born in 1892 registered on September 19th and women born in 1897 on October 3rd. Over 23½ million people are now mobilised in the armed forces or on full-time work. This number may be expected to increase slightly when all the

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN

	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment
August 17, 1942			
Men	55,693	1,744	2,541
Boys	15,615	22	7
Women	23,793	1,760	120
Girls	12,433	96	1
Total	107,534	3,622	2,669
Sept. 14, 1942			
Men	51,546	1,524	2,591
Boys	12,157	8	6
Women	23,996	1,138	140
Girls	10,963	39	—
Total	98,662	2,709	2,737

men and women who have been registered have been interviewed and where possible placed in war work. Schemes for the concentration of certain industries, particularly the clothing industry, which are now being discussed and put into operation, will result in the transfer of workers to more essential work. The new demands of the Forces, including the women's services, for more recruits, will thin out the

labour force engaged in non-essential work and shrink the pool of those still available for war work.

Electrical Contracting—Essential Work

The latest industry for which an essential work Order has been made is electrical contracting, which is defined as being the installation, connection, repair, maintenance or removal of electric lines, fittings, apparatus or appliances for lighting, heating or motive power. The Order (SR and O 2071) follows for the most part the lines laid down by previous essential work Orders made for other industries in regard to the rights and duties of employers and employees and in regard to the scheduling of undertakings. It does, however, differ from them in some respects, in order to preserve the mobility and flexibility of the industry. On this subject both employers and trade unions made strong representations to the Ministry of Labour, which have influenced the provisions of the Order. No permission is required to be obtained from a national service officer where an employee is lent to another scheduled undertaking for less than a week. For the purpose of calculating the guaranteed minimum wage, the rule for Sunday work payments varies. Where work is being done on a scheduled building site and in shipbuilding or repairing, the rule is the same as that laid down in the essential work Order applying to such undertakings. Otherwise, Sunday work is deemed to be paid at ordinary rates. Where no directions are made requiring labour to be employed on a particular site or for a particular time, there are no restrictions.

Now, three years after the beginning of the war, one of the most important reserves of specialised labour for the war effort has been protected. One of the greatest assets possessed by this country when the war started was the fact that, between 1929 and 1939, the number of workers employed in precisely the industries which are most important in producing the specialised goods of modern warfare had gone up by leaps and bounds. The number employed in the manufacture of electrical cables, apparatus and lamps went up by nearly 100 per cent; the number in motors, cycles and aircraft by nearly 90 per cent; the number in electrical engineering by 45 per cent. Here was a firm foundation for mechanised warfare. Yet, now it appears that labour in electrical contracting, one of the most important minor parts of this array of special occupations, has apparently been allowed to drift away—apart from the limited deterrent of the schedule of reserved occupations—until this late hour. It may be good news that the stable door has now been locked; but there must be more than a suspicion that a fair number of the horses have already departed.

Clothing Coupon Value Changes

On October 11th the Board of Trade announced a number of adjustments in the clothing ration, which came into effect on the same day. The most important of the changes is the inclusion of towels on the ration, at one to three coupons each, according to size. This is discussed in a Note on page 476. The other adjustments are changes in the coupon rating of certain garments. Rates for men's woollen underwear have been raised: woollen vests with sleeves and woollen pants with long legs now require six coupons instead of four and sleeveless woollen vests and woollen pants with short legs are raised from four to five. Women's fully fashioned stockings are now three coupons a pair instead of two coupons and girls' woollen stockings and fully fashioned stockings have been raised from one coupon to two a pair. Women's unlined woollen and lined non-woollen jackets and blazers have been reduced from ten to eight coupons and short-sleeved non-woollen men's shirts are four coupons instead of five. The date on which the red coupons—the last block of twenty in the current ration book—may be used has been advanced from April 1st to March 15, 1943. These adjustments have introduced some new principles to clothes rationing. Previously, coupon ratings were based approximately on the amount of material used. The reason given for the changes in men's underwear is that priority for woollen underwear must be given to the Forces, and at the old coupon rating civilian demand would exceed supply. The extra labour involved in the manufacture of fully fashioned stockings is the reason why the Board of Trade is attempting to lessen the demand for them by raising the coupon value.

COMPANY MEETINGS

RANSOME AND MARLES BEARING COMPANY, LIMITED

SIR ALBERT BENNETT'S REVIEW

The twenty-sixth annual general meeting of Ransome and Marles Bearing Company, Limited, was held, on the 9th instant, at Newark-on-Trent.

Sir Albert Bennett, Bt., the chairman, presided.

The chairman said: Gentlemen,—I have pleasure in submitting for your approval the balance-sheet at June 30, 1942, together with the board's recommendations as to appropriations.

I referred last year to the increased amount of working capital required, and the figures now before you show that there has been a further substantial increase in stocks and debtors, which explains the bank overdraft. The company's financial position is, however, quite satisfactory, current assets exceed current liabilities by £625,034, and our plant and machinery stands at a figure far below its original cost, and bears no relation to its much higher present-day value, for which it is insured under the Compulsory War Damage Insurance.

NEW RESERVE FOR CONTINGENCIES

You will observe that we propose the allocation of £30,000 to a new reserve for contingencies, and we hope to be able to continue to increase this amount from time to time. The wisdom of this step, in view of the unknown possibilities of the post-war period, is, I think, self-evident.

I come now to the dividend. The board are very pleased that they have been able, on the results for the full year, to propose a final of 15 per cent. to make up the total distribution to the 20 per cent. paid for several years previously. At the time of the decision with regard to the interim many factors existed which made it extremely difficult to judge as to the probable final profits, but they did indicate a substantial reduction. Those of you who are engaged in industry at the present time will realise how quickly conditions can change, and will, I am sure, appreciate how difficult it is to arrive at a figure of interim distribution which will not prove misleading one way or the other when final and definite results for the year are available.

The difficulty is increased by the fact that under war conditions no explanatory information can be published. The board have seriously considered whether, in view of the circumstances, it would not be better to suspend the payment of interim dividends, but, on the whole, feel that this might prove a hardship to certain stockholders. We therefore propose to continue our policy of making an interim payment, but I would ask you to bear in mind what I have just said.

TRIBUTE TO STAFF AND WORKPEOPLE

As you will realise, this has been a difficult year for the executive staff and all our workpeople. All departments have been obliged to carry on with depleted staffs and many changes in personnel. Many of our former employees, both men and women, are serving in His Majesty's Forces, and I feel sure you would like me to express our sympathy with the relatives of those who have lost their lives, or who are wounded, missing, or prisoners of war.

In concluding, I would like to express on my own behalf and on that of my co-directors our appreciation of the work of our joint managing directors, staff and workpeople, and also to those members of our A.R.P. organisation who have carried out their duties so competently. I now have pleasure in proposing: "That the report and accounts as submitted be adopted, and that the board's proposals for the allocation of the balance of the profit and loss account, as set out in the report, be approved."

The resolution was carried unanimously.

ODEON THEATRES, LIMITED

SOUND FINANCIAL POSITION

The fifth annual general meeting of Odeon Theatres, Limited, was held, on the 9th instant, in London.

Mr J. Arthur Rank (the chairman) said that during the period covered by the accounts the cinema industry as a whole had enjoyed great prosperity and the company had secured its full share of such prosperity, for the profits at £1,530,000 were nearly two and a-half times greater than those of the preceding year. Unfortunately, taxation took a very large part of the profits earned. They had had to operate at increased costs, and the results, therefore, were due entirely to the substantial increase in box-office takings; over 55,000,000 more patrons had come to their theatres than in the previous year.

It seemed very sad that their late chairman, Mr Oscar Deutsch, should not be with them and receive from the shareholders congratulations on the results now presented, which were, to such a large extent, the reward of the early years of struggle and anxiety, the burden of which had been borne by him.

REFINANCING ARRANGEMENTS

The growth of Odeon had been so rapid that it had not always been possible to provide long-term finance when required, with the result that a large portion of the group's funds had been short-term finance, which was apt to cause anxiety in times of temporary difficulty. Consequently, the directors had been giving considerable attention to the refinancing of the group during the last six months. Since the close of the financial year arrangements had been made which placed the finances of the group on a sound basis. It had been agreed to create a wholly-owned subsidiary company known as Odeon Properties, Limited, which was acquiring at book value 110 properties from subsidiary companies, including some properties of Odeon Theatres acquired since 1937. The transaction would assist in clarifying the company's balance-sheet.

Then the short-dated 6 per cent. debenture stock, £1,440,000, falls due for repayment next year. Arrangements had been made with the holders to surrender the stock against an issue, fully paid, of 288,000 ordinary shares and a new 5½ per cent. second debenture stock in the sum of £1,512,000 redeemable by means of a sinking fund over 15 years commencing July, 1943. That new debenture stock ranked after the 5 per cent. first mortgage debenture stock, and therefore they had dealt with the short-term indebtedness of the group. He was sure it would be agreed that the arrangements were very satisfactory.

It was the intention of the directors to acquire additional properties from time to time, but the theatres should only be acquired on the basis of a price which would show a favourable return on the capital employed under normal conditions. Since the close of the financial year they had acquired the whole of the issued share capital of the four Paramount companies operating at Liverpool, Glasgow, Birmingham and Tottenham Court Road.

As to the future, they had, in their opinion, made every possible provision for any eventuality which might arise, and he was confident shareholders would agree that the prospects of their company were encouraging. The directors considered that the cumulative effect from the fine properties owned by the company in all parts of the country, the solving of its financial problems, and the confidence which it placed in the present management of the group under the able guidance of the joint managing directors, Mr F. S. Bates and Mr John Davis, left them well equipped to take in their stride difficulties which might arise in the future and ensure the continued prosperity of the company.

The report was unanimously adopted and the proposed dividend of 10 per cent. was approved.

EASTWOOD'S LIMITED

SIR HORACE BOOT'S REVIEW

Sir Horace Boot, K.B., M.Inst.C.E. (chairman and managing director), presided at the twenty-second ordinary general meeting of Eastwoods, Limited, held on the 15th inst.

The chairman, in his statement circulated to shareholders, said:

During the winter there was a substantial reduction in demand which led to accumulation of stocks. The position has since been eased, and we were able to offer immediate delivery of bricks at a time when it would certainly have been difficult to provide for any sudden increase of production.

The construction of the war factories, camps, hospitals, shelters, etc., has entirely redistributed national demand. In order to conserve transport, petrol has been allocated for road haulage only within a limited area, and rail facilities have not been accorded outside a radius of 75 miles, except by licence from the Ministry of Works and Planning. Certain works will be selected for compulsory closure, and there will be a progressive reduction of output for the larger units. The stocks now held are valuable national assets available to bridge the gap between production and increased rate of usage, provided current output is absorbed.

Although we may have difficult times ahead, there will, on the conclusion of hostilities, be a large demand for bricks, which has in the past been met by those manufacturers in the best position to expand rapidly, and to distribute their production over wide areas. I therefore look forward confidently to the prosperity of our interests in the years to come, although we may anticipate some adverse effect on profits during the war.

Production costs have risen and there has been some adjustment in selling prices.

The report and accounts were unanimously adopted.

CABLES INVESTMENT TRUST, LIMITED

The seventh ordinary general meeting of the Cables Investment Trust, Limited, was held, on the 14th instant, at Electra House, Temple Place, London, W.C., the Rt. Hon. Lord Pender (chairman of the company) presiding.

The chairman said: There is nothing calling for any special attention and I feel sure you will agree that in the present circumstances the result of the year's working is very satisfactory.

I beg to move, therefore: "That the printed report and accounts of the company for the year ended June 30, 1942, submitted to this meeting be and the same are hereby approved, and that a final dividend of 3 per cent., less income tax, on the ordinary stock be declared, making, with the previous payment, 5 per cent., less tax, for the year."

Before putting the resolution to the meeting, I shall be pleased to answer any questions.

Mr. C. E. Tavener (managing director) seconded the resolution and it was carried unanimously.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes.

In time of war the value of this practice is greatly enhanced because *The Economist* provides valuable information which is not otherwise available to investors, who therefore read it more carefully than ever.

Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, Brettenham House, Lancaster Place, W.C.2.

RECORDS and STATISTICS

STOCK EXCHANGES
London

Note: all dealings are for cash

THE fairly substantial decline in turnover as shown by the course of daily markings this week has not been accompanied by a corresponding movement in prices. Nevertheless, the advance of industrial equities has been more hesitant and profit-taking has occasioned some irregularity. Apart from a few improvements in long-dated and irredeemable stocks, the gilt-edged market was devoid of any particular interest. In the foreign bond market Brazilian stocks reflected renewed support with substantial gains. Chilean issues enjoyed some quiet support, while some speculative interest was shown in Japanese stocks. Junior issues in the home rail market fluctuated narrowly, but mid-week saw a general rally. Argentine stocks improved in the foreign rail market, BA Pacific consolidated debenture rising 2 points. Elsewhere, Canadian Pacific ordinary advanced nearly a point. Despite some irregularity and profit-taking, most sections of the industrial market were steady in tone. Rolls Royce was outstanding in the motor section, but Triplex further weakened on the chairman's statement. Small improvements were widespread throughout the heavy industrial section, while in the shipping group Union Castle and Clan Line received quiet support. Exceptionally among textiles, British Celanese weakened on the scheme. Stores shares tended to slightly lower levels, while brewery issues were barely steady. In the tobacco section BAT was firm, but in the miscellaneous section Emmies fell on the dividend statement.

Absence of support from the Cape led to very quiet conditions in the *kaffir* market early this week, but renewed buying from Johannesburg in mid-week occasioned a general rally. Rubber shares were steady, but tea issues advanced sharply early this week. Anglo-Iranian fluctuated erratically in a generally quiet oil market, several issues showing small improvements.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Corres. Day 1941	Security Indices	30 Ord. shares*	20 Fixed Int.†
Oct. 8	5,638	3,572	88.2	133.1	133.2
" 9	5,001	3,152	88.0	133.2	133.3
" 12	5,984	3,458	88.1	133.3	133.3
" 13	4,933	2,984	88.1	133.3	133.3
" 14	4,793	3,002	88.2	133.4	133.4

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 88.2 (Oct. 14); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest, 135.6 (Apr. 29) lowest, 132.2 (Jan. 5). ‡ New basis in S.E. List † Old basis.

New York

ACTIVITY on Wall Street at the end of last week reached the highest level for many months past. Good gains were widely distributed, the strong tendency being attributed to the war news and improved taxation prospects. Motion picture stocks rose sharply on the prospective release of blocked British funds, while General Motors and Chrysler touched new peaks for the year. While the undertone remained distinctly firm, widespread profit-taking prevented any further advance after the holiday.

Total share dealings: Oct. 8, 1,092,000; Oct. 9, 1,054,000; Oct. 10, 456,000; Oct. 12, Columbus Day; Oct. 13, 857,000; Oct. 14, 660,000.

* Two-hour session only.

COMMODITY AND INDUSTRY NEWS

Cakes Control.—The Cake and Flour Confectionery (Control and Maximum Prices) Order, made by the Ministry of Food, relates to all types of flour confectionery except articles containing meat and fish. The maximum retail price for any cake is fixed at 1s. 6d. per lb., but if the price is over 1s. a lb. it must not exceed three times the cost of the ingredients. The weight of cakes may not include more than 20 per cent of oils and fats, nor more than 30 per cent of sugar. These individual maxima may be exceeded provided that the combined weight is not more than 45 per cent of the finished weight. Only one edible substance, such as jam or chocolate, may be added after baking. These provisions come into force on October 26th. The Order also provides that from November 14th all producers of cake and flour confectionery must be licensed.

Quota for Hats.—The only control hitherto exercised on the manufacture of headgear has been by means of restrictions on felt hat hoods and on cloth supplies. Under the Headwear Directions (SR and O, No. 2047) the Board of Trade is to compile a register of manufacturers, who will be required to restrict their supplies during the period October 8, 1942, to January 31, 1943, to 10 per cent by value of their supplies during the year 1941. The rate of quota restriction is about 31.5 per cent. Unregistered manufacturers must restrict supplies of their own manufacture to £50 a month. Alternatively, they can, by giving notice to the Board of Trade, supply headgear, whether of their own manufacture or not, to a total value of £80 in any month. The manufacture of headgear is defined as including any process of manufacture, trimming, altering, repairing or remodelling. Special licences may be granted to supply men's utility caps, industrial headgear and infants' headgear in addition to the quota. Discussions are to be

opened on arrangements for concentrating manufacture.

Laundry Charges.—After consultation with the Central Price Regulation Committee, the Board of Trade has made the Laundry (Maximum Charges) (No. 5) Order (SR and O, No. 2011), which came into operation on October 12th. It permits increases from 1d. to 4d. in the 1s. on pre-war prices, according to area, in the charges to be made for laundering personal and domestic articles.

Fluorspar Control.—The Minister of Supply has made the Control of Fluorspar (No. 1) Order, which comes into operation on October 19th. It makes the disposal and acquisition of fluorspar containing more than 60 per cent. calcium fluoride subject to licence. The Order has been made to ensure the most efficient distribution of supplies to meet the rising demand. It will be administered by the Chrome Ore, Magnesite and Wolfram Control of the Ministry of Supply.

THE "ECONOMIST" SENSITIVE
PRICE INDEX

(1935=100)

	Oct. 8, 1942	Oct. 9, 1942	Oct. 12, 1942	Oct. 13, 1942	Oct. 14, 1942
Crops	118.8	118.8	118.8	118.4	118.1
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	143.2	143.2	143.2	143.0	142.8
	Mar. 31, 1937*	Aug. 31, 1939	Oct. 14, 1941	Sept. 14, 1942	Oct. 7, 1942
Crops	147.9	92.2	113.9	118.3	118.8
Raw materials	207.3	122.9	170.4	172.7	172.7
Complete Index	175.1	106.4	139.3	142.9	143.2

* Highest level reached during 1932-37 recovery.

STANDARD STATISTICS INDICES
(1935=100)

WEEKLY AVERAGES

	1942	Sept. 23, 1942	Sept. 30, 1942	Oct. 7, 1942
Low	29	14	14	14
High	29	14	14	14
347 Industrials	62.4	75.0	71.9	72.6
32 Rails	58.4	71.0	67.5	68.6
40 Utilities	53.1	67.4	59.6	60.1
419 Stocks	60.8	73.3	69.7	70.4
Av. yield %	8.40	6.36	6.43	6.36

* 50 Common Stocks.

(a) Jan. 7. (b) Feb. 4. (c) Sept. 30. (d) June 24.

DAILY AVERAGE OF 50 COMMON STOCKS

Oct.	1	2	3	4	5	6	7	8
90.3	91.7	92.1	92.5	92.4	92.4	92.8	92.8	92.8

1942 High: 92.8, Oct. 7. Low: 75.2, April 28.

Capital Issues

Week ending	Nominal	Con-	New
October 17, 1942	Capital	versions	Money
To Shareholders only	1,777,260	1,777,200	340,321
By Permission to Deal	338,933	338,933	340,321

Particulars of Government issues appear on page 497. Including Excluding Conversions Conversions

1942..... 1,223,275,934 1,194,509,621

1941..... 1,204,467,350 1,150,859,988

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp.	Foreign
		ex U.K.	Countries
1942.....	1,194,082,034	343,272	78,315
1941.....	1,147,308,567	3,431,401	70,000

Nature of Borrowing (Conv. Exclcd.)

Year†	Deb.	Pref.	Ord.
1942.....	1,187,016,358	938,562	6,554,701
1941.....	1,144,855,218	477,460	5,527,290

† Includes Government issues to Oct. 6, 1942, only.

Above figures include all new capital in which permission to deal has been granted.

BRITISH WHOLESALE PRICES

GRAIN, etc.	Oct. 6, 1942	Oct. 13, 1942
Wheat	s. d.	s. d.
No. 1 N.Mt. 496 lb. f.o.b. St. J.	38 7	38 6
Eng. Gaz. av. per cwt. (c)	16 3	16 3
Flour per 280 lb.	38 3	38 3
Straights d'd London	34 3	34 0
Barley Eng. Gaz. av. per cwt. (c)	34 3	34 0
Oats (c) "	14 10	14 10

OTHER FOODS

POTATOES (per cwt.)—	5 0	5 0
English	5 0	5 0
TOBACCO (per lb.)—	0 9	0 8
Indian stemmed and unstemmed	2 6	2 6
Rhodesian, stemmed and unstemmed	1 0	1 0
stemmed	3 0	3 0

TEXTILES

JUTE (per ton)—	34/10/0	34/0/0
Daisies 2 3 c.f.f. Dundee	s. d.	s. d.
10/40 Calcutta Hessians, spot	50 0	49 0
100 yds. "	34 6	37 9

MISCELLANEOUS

CHEMICALS—	4 4	4 4
Acid, Tartaric, English, less 5% lb.	9/14/6	9/14/6
Ammonia, Sulphate, per ton	s. d.	s. d.
HIDES (per lb.)—	0 7 1	0 7 1
Wet salted Australian, 40/50 lb.	0 7 1	0 7 1
Queensland, "	0 7 1	0 7 1
Cape, 1 lb. Ore, "	0 8 1	0 8 1
Dry Capes, 18/20 lb.	0 8 1	0 8 1

VEGETABLE OILS (per ton net)—

Oil Seeds, Linseed—	22/10/0	22/10/0
Calcutta	22/10/0	22/10/0

(c) Average for weeks ended Oct. 3 and Oct. 10.

AMERICAN WHOLESALE PRICES

	Oct. 6, 1942	Oct. 13, 1942
GRAINS (per bushel)—	Cents	Cents
Wheat, Chicago, Dec.	126	124 1/2
Maize, Chicago, Dec.	83 1/2	80 1/2
Oats, Chicago, Dec.	51 1/2	48 1/2
Rye, Chicago, Dec.	68 1/2	67 1/2
Barley, Winnipeg, Oct.	50 1/2	60 1/2
MISCELLANEOUS (per lb.)—	19.48	19.58
Cotton, N.Y., Am. mid., spot	17.80	17.82
Am. mid., Oct.	13.61	13.80
Cotton Oil, N.Y., Oct.	12.90	13.80
Lard, Chicago, Dec.	23.46	23.33
Moody's Index of staple commodities, Dec. 31, 1931=100.	234.6	233.3

GOVERNMENT RETURNS

For the 10 days ended Oct. 10, 1942, total ordinary revenue was £69,926,000, against ordinary expenditure of £180,107,000, and issues to sinking funds of £225,058. Thus, including sinking fund allocations of £6,453,117, the deficit accrued since April 1st is £1,547,613,000, against £1,611,404,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Esti- mate, 1942-43	April 1 to Oct. 11, 1941	April 1 to Oct. 10, 1942	11 Days ended Oct. 10, 1941	10 Days ended Oct. 10, 1942
ORDINARY REVENUE					
Income Tax	913,000	196,535	291,207	19,018	17,353
Sur-tax	78,000	14,294	13,664	1,300	1,280
Estate, etc.	90,000	48,550	49,329	2,440	2,820
Duties	15,000	6,371	6,990	50	30
Stamps	20,773	14,345	1,078	810	810
N.D.C.	425,000	108,350	166,515	8,855	11,957
E.P.T.	1,000	207	280	22	20
Other Ind. Rev.	152,200	385,080	542,330	32,763	34,280
Total Ind. Rev.	438,295	188,216	242,027	13,557	13,760
Excise	366,705	161,100	210,200	3,500	5,400
Total Customs & Excise	805,000	349,316	452,227	17,057	19,160
Motor Duties	34,000	10,147	4,878	301	227
Contribution	225,000	...	168,299	...	13,484
P.O. (Net Receipts)	10,000	5,200	6,100	950	Dr. 300
Wireless Licences	4,300	...	1,520	...	...
Crown Land	800	530	460	...	...
Receipts from Sundry Loans	5,000	2,007	1,081	33	51
Miscell. Receipts	21,000	38,164	56,081	1,388	3,024
Total Ord. Rev.	262,710	790,444	1,232,976	52,992	69,926
SELF-BALANCING P.O. & Broadcastg.	102,523	51,400	54,400	2,750	1,800
Total	272,963	841,844	1,287,376	55,742	71,726

Expenditure	Esti- mate, 1942-43	April 1 to Oct. 11, 1941	April 1 to Oct. 10, 1942	11 Days ended Oct. 10, 1941	10 Days ended Oct. 10, 1942
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	325,000	151,254	178,348	18,696	18,842
Payments to N. Ireland	9,500	3,940	4,024	327	335
Other Cons. Fund Services	7,800	3,812	3,721	3	2
Total	342,300	159,005	186,093	19,025	19,179
Supply Services	494,479	223,586	258,038	140,984	160,928
Total Ord. Exp.	836,779	279,586	277,413	160,010	180,107
SELF-BALANCING P.O. & Broadcastg.	102,523	51,400	54,400	2,750	1,800
Total	939,302	404,726	282,853	162,760	181,907

After increasing Exchequer balances by £314,612 to £3,105,842, the other operations for the week (no longer shown separately) raised the gross National Debt by £112,229,195 to £15,618 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Oct. 10th and Oct. 16th. (Figures in brackets are par of exchange.)

United States. \$ (4-861) 4-021-031; mail transfers 4-021-031. Canada. \$ (4-861) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-221) 17-30-40. Sweden. Krona (18-150) 16-85-95. Argentina. Peso (11-45) 16-95-17-13; mail transfers 16-95-17-15. Dutch West Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 93-80-100-20. Panama. \$ (4-92-04); mail transfers 4-02-04.

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta (25-221) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Piastres (110) 520. Italy. 71-25 lire.

Finance

NET ISSUES (£ thousands)	250
P.O. and Telegraph	1,205
Tithe Act	61
Overseas Trade Guarantee	1,516

NET RECEIPTS (£ thousands)	8
Land Settlement	8

FLOATING DEBT

Date	Ten- der	Tap	Public Depts.	Ways and Means Advances	Bank of Eng- land	Treasury De- posits by Banks	Total Float- ing Debt
1941							
Oct. 11	970.0			Not available			
1942							
July 11	975.0			"			
" 18	975.0			"			
" 25	975.0	1654.3	166.8	654.5		3450.6	
Aug. 1	975.0			Not available			
" 8	975.0			"			
" 15	975.0			"			
" 22	975.0			"			
" 29	975.0	1668.3	254.4	695.5		3593.2	
Sept. 5	975.0			Not available			
" 12	975.0			"			
" 19	975.0			"			
" 26	975.0			"			
Oct. 3	975.0			225.6	5.5	760.5	3684.8
" 10	975.0			Not available			

TREASURY BILLS

TREASURY BILLS					
(£ millions)					
Date of Tender	Amount			Average Rate of Al- lotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1941				s.	d.
Oct. 10	75.0	161.5	75.0	20	0.37
1942					
July 17	75.0	139.6	75.0	19	11.93
" 24	75.0	136.6	75.0	20	0.60
" 31	75.0	155.1	75.0	19	11.91
Aug. 7	75.0	151.4	75.0	20	0.71
" 14	75.0	135.6	75.0	20	0.69
" 21	75.0	151.4	75.0	20	0.71
" 28	75.0	156.6	75.0	20	2.85
Sept. 4	75.0	166.1	75.0	19	10.62
" 11	75.0	157.3	75.0	19	10.87
" 18	75.0	145.3	75.0	20	2.52
" 25	75.0	134.7	75.0	19	11.52
Oct. 2	75.0	156.2	75.0	20	0.15
" 9	80.0	164.8	80.0	20	0.47

PROVINCIAL BANK CLEARINGS
(& thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Oct. 11, 1941	Oct. 10, 1942	Oct. 11, 1941	Oct. 10, 1942
Working days	6	6	240	239
Birmingham	2,189	1,938	90,672	99,551
Bradford	2,030	1,571	88,193	85,255
Bristol	2,237	605	80,144	93,367
Cardiff	718	679	26,077	30,485
Leeds	1,047	653	40,208	44,822
Leicester	5,279	4,157	32,804	34,025
Liverpool	10,979	11,237	470,772	485,293
Manchester	1,132	1,075	52,978	59,397
Newcastle	453	430	18,048	18,741
Nottingham	559	629	28,030	33,916
Sheffield	104	103	3,768	4,555
Southampton				
12 Towns	27,511	23,942	1,151,119	1,172,893
Dublin*	6,674	6,978	236,792	261,895

* Oct. 4, 1941, and Oct. 3, 1942.

OVERSEAS BANK
RETURNSAUSTRALIAN COMMONWEALTH
BANK—Million £A's

	July 21, 1941		July 13, 1942		July 20, 1942	
	1941	1942	1941	1942	1941	1942
ASSETS						
Gold and English ster.	17.71	26.61	26.61	26.61	26.61	26.61
Other coin, bullion, etc.	8.21	7.85	9.26	10.20	9.26	10.20
Call money, London	37.65	32.04	37.56	34.79	37.56	34.79
Securities and Treas. bills	50.32	102.01	100.73	104.48	100.73	104.48
Discounts and advances	22.25	28.73	28.38	27.46	28.38	27.46
LIABILITIES						
Notes issued	68.61	103.36	104.11	104.86	104.11	104.86
Deposits, etc.	104.22	121.47	124.94	126.30	124.94	126.30

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

	Oct. 9, 1941		Sept. 24, 1942		Oct. 1, 1942		Oct. 8, 1942	
	1941	1942	1941	1942	1942	1942	1942	1942
12 U.S.F.R. BANKS								
Resources								
Gold certifs. on hand and	20,501	20,563	20,562	20,562	20,562	20,562	20,562	20,562
due from Treasury	20,758	20,810	20,808	20,810	20,810	20,810	20,810	20,810
Total reserves	243	233	232	232	232	232	232	232
Total cash reserves	2,184	3,395	3,567	3,592	3,592	3,592	3,592	3,592
Total U.S. Govt. sec.	2,204	3,419	3,590	3,615	3,615	3,615	3,615	3,615
Total bills and sec.	23,984	25,597	25,754	25,677	25,677	25,677	25,677	25,677
Total resources	7,300	10,462	10,658	10,798	10,798	10,798	10,798	10,798
LIABILITIES								
F.R. notes in circ.	5,210	2,030	1,690	2,290	2,290	2,290	2,290	2,290
Excess mtr. bank res.	13,290	11,886	11,592	11,801	11,801	11,801	11,801	11,801
Mr. bank res. dep.	304	485	661	393	393	393	393	393
Govt. deposits	15,471	13,663	13,660	13,536	13,536	13,536	13,536	13,536
Total deposits	23,984	25,597	25,754	25,677	25,677	25,677	25,677	25,677
Total liabilities	91.2%	86.3%	85.6%	85.5%	85.5%	85.5%	85.5%	85.5%
Reserve ratio								
BANKS AND TREASURY								
Resources								
Monetary gold stock	22,772	22,750	22,754	22,756	22,756	22,756	22,756	22,756
Treasury & bank currency	3,203	3,349	3,354	3,356	3,356	3,356	3,356	3,356
LIABILITIES								
Money in circulation	10,237	13,519	13,708	13,830	13,830	13,830	13,830	13,830
Treasury cash and dep.	2,545	2,685	2,879	2,628	2,628	2,628	2,628	2,628

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

	Aug. 31, 1941		May 31, 1942		June 30, 1942		July 31, 1942	
	1941	1942	1942	1942	1942	1942	1942	1942
ASSETS								
Gold in bars	28.3	45.5	59.1	65.2	65.2	65.2	65.2	65.2
Cash	39.1	42.1	38.7	35.9	35.9	35.9	35.9	35.9
Sight funds	16.4	15.7	16.8	15.8	15.8	15.8	15.8	15.8
Commercial bills	109.4	119.1	116.7	114.0	114.0	114.0	114.0	114.0
Treasury bills	31.4	30.3	30.2	30.4	30.4	30.4	30.4	30.4
Time funds at interest	21.0	21.0	21.0	20.9	20.9	20.9	20.9	20.9
Sundry bills and invests.	220.5	202.3	202.1	199.7	199.7	199.7	199.7	199.7
LIABILITIES								
Deposits	152.7	152.7	152.7	152.7	152.7	152.7	152.7	152.7
Amort.	76.3	76.3	76.3	76.3	76.3	76.3	76.3	76.3
German	17.9	16.0	15.8	15.9	15.9	15.9	15.9	15.9
Central Banks	2.5	3.9	5.2	4.2	4.2	4.2	4.2	4.2
Other	23.0	29.0	36.0	37.7	37.7	37.7	37.7	37.7
Gold								

RESERVE BANK OF INDIA
Million rupees

	Oct. 3, 1941		Sept. 11, 1942		Sept. 18, 1942		Sept. 25, 1942		Oct. 2, 1942	
	1941	1942	1942	1942	1942	1942	1942	1942	1942	1942
ASSETS										
Gold coin & bullion	444	444	444	444	444	444	444	444	444	444
Rupee coin	393	274	274	269	269	269	269	269	269	269
Balances abroad	604	781	811	853	853	853	853	853	853	853
Sterling securities	1,436	3,248	3,298	3,298	3,298	3,298	3,298	3,298	3,298	3,298
Ind. Govt. rnp. sec.	765	1,024	1,024	1,024	1,024	1,024	1,024	1,024	1,024	1,024
Investments	90	62	67	66	66	66	66	66	66	66
LIABILITIES										
Notes in circ.	2,704	4,886	4,909	4,926	4,926	4,926	4,926	4,926	4,926	4,926
Deposits	192	141	173	232	232	232	232	232	232	232
Govt.	496	650	618	646	646	646	646	646	646	646
Banks	61.9%	74.0%	74.3%	74.3%	74.3%	74.3%	74.3%	74.3%	74.3%	74.3%
Reserve ratio										

BANK OF CANADA
Million Can. \$

	Sept. 10, 1941		Aug. 2, 1942		Sept. 2, 1942		Sept. 9, 1942	
	1941	1942	1942	1942	1942	1942	1942	1942
ASSETS								
Reserve: Gold	80.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other	664.8	845.1	873.3	875.7	875.7	875.7	875.7	875.7
LIABILITIES								
Note circulation	431.6	586.1	598.3	606.9	606.9	606.9	606.9	606.9
Deposits: Dom. Govt.	91.9	21.6	23.7	35.1	35.1	35.1	35.1	35.1
Chartered banks	210.1	212.3	229.5	217.6	217.6	217.6	217.6	217.6
† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.								

COMPANY RESULTS (October 1 to October 14, 1942)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Dis- tribu- tion	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	£	%
Canals, Docks, &c.													
Prince of Wales Dry Dock, Swansea	April 30	29,832	3,500	17,646	32,112	...	11,250	7½	5,000	+ 1,396	55,590	7,044	7½
Coal, Iron and Steel													
Parsons Marine Steam Turbine	June 30	60,252	...	57,305	72,722	...	31,692	10	25,000	+ 613	56,207	53,065	10
Ransome & Marles Bearing	June 30	121,134	...	100,567	176,872	...	70,000	20	30,000	+ 567	114,995	73,295	20
Sheffield Forge and Rolling Mills	June 30	41,658	4,000	12,730	16,984	...	6,132	15	5,000	+ 1,598	38,058	16,595	15
United Steel Companies	June 30	2,096,723	125,000	435,979	863,156	...	386,000	8	...	+ 49,979	2,247,835	419,082	8
Electric Lighting & Power													
Nigerian Electricity Supply	Feb. 28	157,905	22,495	37,446	41,841	...	31,519	8	...	+ 5,927	128,023	29,450	8
Financial, Land, &c.													
Beecham Maclean Holdings	June 30	304,923	...	59,884	61,608	50,544	9,000	2-12	...	+ 340	502,144	160,646	25½
Ceylon Estates Investment	Mar. 31	9,152	810	3,265	5,204	...	1,875	15	1,354	+ 36	5,663	816	7½
Hesketh Estates	Feb. 28	62,792	...	5,167	24,433	8,750	...	...	...	+ 3,583	67,042	10,463	NI
Rio de Janeiro Land	Dec. 31	13	...	Dr. 2,331	Dr. 40,991	...	...	...	...	+ 2,331	17	Dr. 2,441	NI
Rosehaugh Company	June 30	16,892	268	10,840	12,090	5,401	3,789	3	1,500	+ 150	13,883	10,644	3
Telephone Properties	Dec. 31	100,319	...	35,798	44,029	5,770	...	...	...	+ 30,028	129,384	Dr. 15,425	NI
Trafford Park Estates	June 30	99,404	10,889	48,630	98,264	...	45,500	7	...	+ 3,130	100,304	32,988	7
Oil													
Anglo-Egyptian Oilfields	Dec. 31	448,992	175,607	218,229	362,232	...	233,500	12½	...	- 15,271	418,985	236,254	12½
Rubber													
Banir	Mar. 31	7,068	...	5,090	6,123	...	2,520	4	...	+ 2,570	17,767	7,529	11½
Baru (Java)	Dec. 31	18,462	618	2,705	4,805	...	...	...	...	+ 2,705	11,553	4,932	4
Bagan Serai	Dec. 31	23,178	...	6,497	10,171	...	...	...	...	+ 6,497	35,177	15,681	8
Bukit Rajah	Mar. 31	19,448	1,562	3,012	11,543	...	...	...	...	+ 3,012	41,364	21,649	8
Dahan	Dec. 31	2,926	...	Dr. 1,953	Dr. 1,651	...	...	...	...	+ 1,953	4,491	1,231	NI
East Java	Dec. 31	27,694	...	1,453	3,012	...	...	...	...	+ 1,453	9,362	9,362	10
Gadek	Dec. 31	40,002	...	12,113	14,203	...	...	...	...	+ 12,113	46,755	13,659	10
Glen Muar	July 31	8,236	...	3,243	6,994	...	...	...	...	+ 1,172	21,752	7,360	6
Johore River Rubber	Dec. 31	13,860	475	1,172	4,107	...	...	...	...	+ 1,172	19,092	3,726	7
Kapowas	Mar. 31	2,009	...	Dr. 5,554	Dr. 2,047	...	37,178	5	...	+ 3,054	5,061	1,690	NI
Kepong (Malay)	Dec. 31	284,011	9,869	63,404	83,602	...	...	...	...	+ 26,226	271,678	253,152	12½
Kombok (F.M.S.)	Dec. 31	15,178	1,000	Dr. 8,335	6,822	...	...	...	...	+ 3,333	13,211	Dr. 61	NI
Kuala Geh	Dec. 31	7,100	466	Dr. 6,094	Nil	...	...	...	...	+ 6,994	13,462	11,328	7½
Kuala Kubu	June 30	7,735	...	Dr. 426	3,538	...	...	...	...	+ 426	8,610	2,960	5
Kuala Lumpur	Dec. 31	2,332	...	Dr. 7,684	Dr. 3,793	...	...	...	...	+ 7,684	85,635	33,471	5½
Linggi Plantations	Dec. 31	114,373	10,000	8,013	50,773	700	...	...	...	+ 7,313	127,018	35,997	7½
Malacca Plantations	Dec. 31	103,759	6,000	24,124	57,490	...	...	...	...	+ 24,124	107,480	41,827	4
Malayan Plantations	Dec. 31	25,612	1,128	3,225	10,968	...	...	...	...	+ 3,225	27,707	8,122	5
Muar Itam	Dec. 31	3,707	200	234	622	...	...	...	...	+ 234	5,613	3,050	4-16
Pahang Para	April 30	1,200	...	Dr. 6,697	Dr. 5,669	...	...	...	...	+ 6,697	13,826	3,467	3½
Prye	Mar. 31	4,590	...	204	1,999	...	...	...	...	+ 457	14,850	5,331	7½
Rangalia Consolidated	Dec. 31	19,711	1,000	6,854	6,982	...	5,983	10	414	+ 696	24,643	4,347	9½
Sedgeley (F.M.S.)	June 30	1,980	...	Dr. 696	Dr. 290	...	...	...	...	+ 13,181	56,916	10,769	4
Silang	Jan. 31	59,665	...	13,181	57,638	...	...	...	...	+ 33,983	104,223	78,319	3½
Straits Rubber	Dec. 31	81,941	...	33,983	49,955	...	...	...	...	+ 3,815	59,528	18,211	3½
Tanjong Malim	June 30	9,354	...	Dr. 8,815	Dr. 1,337	...	...	...	...	+ 15,892	56,704	23,858	5
Timbang-Deli (Sumatra)	Mar. 31	41,680	795	Dr. 15,892	8,241	...	...	...	...	+ 30	28,963	19,180	6
Tremelby (Selangor)	Mar. 31	4,629	646	Dr. 30	6,247	...	...	...	...	...	...	...	...
Shipping													
Manchester Liners	June 30	73,637	50,000	23,637	51,154	11,443	16,695	7½	...	- 4,501	75,494	25,494	7½
Reardon Smith Line	Mar. 31	140,838	...	78,410	84,824	...	76,600	5½	...	+ 1,810	131,831	100,656	5½
Shops and Stores													
Burton (Montague)	Mar. 31	808,690	187,596	65,600	308,232	100,000	55,729	5	...	- 90,129	1,051,805	171,669	5
Debenhams Limited	July 31	707,328	...	516,897	732,169	379,009	62,500	12½	50,000	+ 25,397	627,244	435,735	NI
Harvey Nichols & Co.	July 31	105,548	...	66,801	66,801	30,000	...	...	...	+ 6,801	30,551	Dr. 2,259	NI
Hepworth (J.) & Son	July 31	52,675	...	32,177	43,016	20,500	9,750	3	...	+ 1,925	58,412	39,712	NI
Millets Stores (1928)	April 30	41,291	1,634	6,203	16,130	3,000	1,500	14½	...	+ 1,703	60,689	4,058	14½
Tea													
Bargang	Dec. 31	19,739	...	4,799	8,334	600	2,280	4	2,500	- 581	10,239	6,619	4
Borelli	Dec. 31	30,841	...	13,590	17,208	383	11,725	15	...	+ 1,462	16,244	10,894	15
Borri	Dec. 31	10,888	...	2,989	8,304	...	3,601	15	...	+ 613	5,541	4,040	15
Dhama	Dec. 31	39,940	...	9,095	12,089	702	8,455	20	500	+ 62	20,648	7,372	17½
Moabund	Dec. 31	23,351	...	12,576	18,256	2,500	10,400	8	...	+ 1,824	18,748	12,548	8
Textiles													
Derby & Midland Mills	June 30	23,773	...	16,712	31,583	6,000	9,375	12½	...	+ 1,337	22,248	15,901	12½
Trusts													
City and International	Aug. 31	61,063	...	11,851	51,308	15,000	...	...	...	- 3,149	65,173	18,237	2
London Electrical & General	June 30	52,537	...	31,671	46,922	18,900	12,000	5	...	+ 771	52,305	31,254	5
Second American	Aug. 31	55,454	...	11,121	27,426	11,112	...	...	...	+ 9	56,415	13,016	NI
Third Conversion Investment	Sept. 15	10,765	...	6,016	11,074	...	3,906	4	...	+ 2,110	10,964	5,417	4
Other Companies													
Blakey's Boot Protectors	June 30	40,622	2,990	16,273	47,776	293	9,036	15	...	+ 6,944	40,538	16,615	15
British Monomarks	Dec. 31	3,867	...	161	Dr.152,816	...	...	...	...	+ 161	3,981	659	NI
Chambers Wharf & Cold Storage	June 26	40,182	13,985	19,343	29,506	13,556	10,250	15	2,000	+ 6,463	68,616	31,022	25
Decora Record Co.	Mar. 31	90,582	2,955	52,911	68,113	4,610	8,020	25	40,000	+ 231	75,844	38,296	8
Eastwoods Limited	Mar. 31	60,917	...	35,035	56,827	10,500	24,000	...	...	+ 4,848	124,845	79,908	7½
Falk, Stadelmann & Co.	Mar. 31	124,118	...	79,660	120,036	31,500	43,512	7½	...	+ 1,496	31,595	10,394	5
Hickson, Lloyd & King	June 30	30,659	1,660	12,910	19,661	16,875	78,750	7	19,189	- 33,381	213,410	127,310	12½
Huett (Sir J. L.)	April 30	160,838	...	81,433	153,106	8,000	25,000	12½	...	+ 462	41,547	32,132	12½
Hurst, Nelson & Co.	July 18	45,397	5,200	31,462	43,592	...	6,450	6	...	+ 62	24,543	5,419	4
International Bitumen Emulsions	Mar. 31	35,229	4,000	6,512	7,766	...	8,675	12½	...	+ 891	15,484	7,115	12½
Kay & Co. (Engineers)	May 31	18,964	1,448	5,783,242	7,444,626	4,346,779	660,535	5	700,000	+ 75,928	9,730,408	6,934,967	NI
Leyland Brothers and Unilever	Dec. 31	7,512,705	...	95,863	133,690	6,000	75,000	12½	...	+ 14,863	120,538	59,478	12½
Odeon Theatres and Birmingham Rubber	June 30	118,259	15,432	119,241	216,133	93,789	43,749	10	...	- 18,297	647,316	116,020	NI
Oxley Engineering	June 30	1,534,775	...	10,034	17,059	...	6,250	12½	4,000	+ 216	71,822	12,453	12½
Phosphoric Products	June 30	75,102	...	4,483	7,495	...	1,220	7	1,000	+ 1,363	50,463	4,261	20
Royal Sovereign Pencil	Dec. 31	52,473	...	21,711	30,087	6,595	15,250	6	...	+ 6,639	91,574	16,456	6
Toogood & Sons	June 30	96,376	882	17,889	40,597	...	32,356	10	...	+ 7,861	201,268	36,698	10
Triplex Safety Glass	June 30	92,948	12,403	24,495	43,076	...	8,800	8	...	+ 515	39,575	18,839	6
Wake & Dean	June 30	43,657	2,889	19,515	23,753	10,200	30,000	6	...	+ 2,461	105,840	50,558	4
Westminster Press, &c.	Mar. 28	99,608	...	62,461	81,507	...	...	...	...	...	...	...	...
Totals (000's):													
October 1, 1942, to October 14, 1942	No. of Cos. 40	17,038	679	8,589	12,229	5,282	2,264	...	886	+ 187	19,080	10,415	...
First Quarter, 1942	426	87,333	6,973	42,960	74,604	8,755	28,231	...	4,915	+ 1,059	91,853	47,479	...
Second Quarter, 1942	527	105,662	8,641	51,014	81,591	12,411	30,076	...	4,901	+ 3,532	104,739	55,091	...
Third Quarter, 1942	480	108,059a	13,475	39,340	63,560	9,406	23,503	...	3,443	+ 992	101,944	39,272	...
January 1, 1942, to October 14, 1942	1,513	318,092	29,768	141,903	231,992	35,854	84,074	...	16,235	+ 5,740	317,022	150,031	...

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 ROBERT WALTON,
 Joint Managers

SECRETARY TO COMMISSIONER

24 MAR 1943



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Mr Lyttelton's Plans

INDUSTRIAL mobilisation has reached its peak, but the output of weapons, equipment and munitions has not. Thus, aptly, Mr Lyttelton summarises the state of war production. He has made known his plans for the next stage in the industrial effort. The task now is to make the most efficient and productive use of the manpower and plant which have been mobilised. Briefly, this will be done by two means: by moving the most skilled workers to the most modern machines and the most urgent jobs; and by diverting war orders from overloaded firms and congested areas to plant and orders where, relatively, manpower and machines are under-employed. The end is to attain the optimum number of the most productive man hours and machine hours; the means is to be the regional production boards. These, furnished with a register of industrial capacity in their areas and a record of the load of orders upon local firms, will act as clearing houses—as traffic policemen to direct the flow of orders and special contracts to the points where men and machinery are most available.

Here is a plain statement of the current problem and a clear account of the method proposed for its solution. What special arrangements, if any, have been made to compensate the firms and men who are to be closed down or moved in this radical reshaping of war industry remain undisclosed. Possibly they, like many other similar victims of war economy and industrial concentration, are either to be squeezed out or, even worse, permitted to slow up

important changes for lack of a financial policy to prevent their hardship from being the enemy of the nation's need. The plans announced are already in operation. The degree of success they achieve will be of immense importance in the next stages of the war. British war production has lately been taken too much for granted. On the one hand, it has been lightly assumed by many people that, with the achievement of the highest output per head of war material of any belligerent, the last chapter had been written; on the other, the massive performance of American production and its still greater promise have been allowed to overshadow the responsibilities of British factories. The rate of Axis output, probably in every item of war supplies, has been well outstripped by the joint rate of Allied factories. But it has been by the accumulation of great stocks of war material that the enemy has been able to maintain warfare on the largest scale into the fourth year of war. The need to build up accumulations for the still larger enterprises which the United Nations have in preparation is pressing. Moreover, it cannot be assumed that weapons and munitions made thousands of sea and land miles away in the United States are always interchangeable in Allied calculations with weapons and munitions produced in Britain. Availability, in every sense of the word, is a factor of great importance.

When Mr Lyttelton became Minister of Production seven months ago, there were doubts about his chances

of success in gaining control and superintendence over the whole area of war production. Those doubts have not entirely gone. The policy Mr Lyttelton described last week for securing the maximum results from the resources already harnessed is indubitably the right one. The question is whether the machinery of performance is adequate to apply the policy. When Mr Lyttelton was appointed, certain limitations were set upon his authority—probably inescapably. The vast and crucial field of labour supply was excluded from his personal province and left to be decided by agreement between him and Mr Bevin. The existing machinery for the allocation of machine tools was left autonomous. An important area of Admiralty work was reserved. The allocation of raw materials was placed under a dual system; they remained under the control of the Minister of Supply, though the Minister of Production was answerable for their final apportionment. The fear was freely expressed that a Ministry of Production had been set up too late and that the structure of output organisation was too set and established for the single authority of Mr Lyttelton, imposed upon it at the eleventh hour, to be fully effective. The test of the new Ministry's performance must be, not some ideal system of central control, but results. Necessarily Mr Lyttelton has moved forward by compromises. With his wings clipped from the outset, he has only been able to walk. If the long agony of co-ordination and consultation has produced a workable procedure, though it may not be the best procedure conceivable in theory, his appointment will have been more than justified. Original doubts about his powers have not been lessened by the delays which, to the layman, have been characteristic of his work, nor by the questioning which has been provoked by various appointments made to his staff. The question to be answered now, in the practical working of the new arrangements, is whether the single control exists to make the new policy announced by Mr Lyttelton effective during the coming crucial months.

It is impossible for any observer or critic to return a categorical answer to this question. Every support and encouragement is due to the effort to make the promptest and most productive use of the nation's mobilised resources; and no predilection or prepossession should be permitted to obscure the practical tests. One test, however, after seven months, can be applied at once. In March, when Mr Lyttelton was appointed, *The Economist* said:—

Mr Lyttelton will be well advised to devote his attention first to the central planning of the production programme and to the quality of the management both in the Ministries and in industry, who will have to execute it.

The test is whether, by the activities of Mr Lyttelton's department, the flow of materials, labour, tools and orders has been so synchronised as to rule out every avoidable delay and hold-up; and whether, in the field of actual productive technique, Mr Lyttelton has asserted a sufficient degree of authority to insist upon the highest standard of management in every productive enterprise engaged on war orders, to replace bad managers—and bad civil servants—wherever they occur and to replace them by more efficient men. The outside observer is in no position to apply these tests definitively. The extent of his success in carrying productive resources and strategic requirements at the highest level of decision will be proved only by the event. But it can be said that there has been little sign so far that any really drastic policy with regard to management and administration has been possible on the part of Mr Lyttelton. And it can be added that, as in so many other branches of war policy, the results aimed at in Mr Lyttelton's newly announced plans can only be secured if there is the disposition and the determination to act as drastically in the achievement of quick, tangible results as the needs of the hour, and of the next offensive stage of the war, require.

On Guard

IN 1940, the Germans captured the Maginot Line. Now, if various commentators are to be believed, the Nazis have annexed the Maginot mind. The basis for the view that the Germans are about to fall back on the defensive is a double one. First, various statements have been made by Axis propagandists. Secondly, there are the facts: the Germans are now held in the east, in the west and in the south, and the balance of military power is turning against them. In the rate of output and in the bulk of supplies, the Allies are already superior to the Axis. In fighting skill, too, the scales have been tipped: the air-raids against Cologne, Bremen, Kiel, the Renault works and Le Creusot, together with the successes of the American Flying Fortresses, have suggested the opening of a new stage in air strategy; the defences of Britain against the reply of the Luftwaffe are immensely strong. In their bitter battle against the Russians, the Germans have incurred great losses, and, although they are almost certainly better placed, better prepared and better supplied for the eastern winter than they were last year, they still have acute problems of supply and movement to solve—problems which the failure to gain Stalingrad would make much more acute.

In his measured survey of the scene to Parliament on Wednesday, General Smuts stated the prospect at its sober best: "the defence phase is now ended. The stage is set for the last, the offensive, phase." It was Britain's glory, he said, to stand in the breach in 1940. Now, in 1942, "the appalling blood-letting which is necessary for Hitler's ultimate defeat is being administered by the Russians, and they alone can do it." The "final alignments" have been made. The resources of the United Nations, already "developed and mobilised on a very large scale," are growing. Those of the enemy are being

depleted. In the subject countries, "the spirit of unrest is moving and rising." "The situation is ripening for far-reaching developments."

But it must be doubted whether defeatism has yet dawned upon the Nazi mind. When Nazi spokesmen speak of a defensive strategy, it is time to be wary. There is little doubt that the talk of a defensive strategy—in German propaganda for overseas and not for home consumption—has been a *ballon d'essai*, designed to test Allied reactions. The belief that the Germans now intend to wait behind their battlements for the certain Allied assault is unsubstantial. Goebbels paints another picture.

There is nothing in the English claim that the Reich has turned to the defensive. We digest what we have swallowed, and the process of digestion will come to an end some time. The first thing was to break the offensive power of the Bolsheviks, and that has been partly achieved. The second thing was to establish the security of the Reich, and this has been fully achieved.

There is no such thing in strategy—except in the unbelievably unrealistic Allied strategy of 1939—as the pure defensive. The point was put by Clausewitz.

We can therefore in a defensive campaign fight offensively. . . . The defensive way in war is therefore no mere shield, but a shield formed of blows delivered with skill.

The bounds of German conquest may have been reached, but not the end of German attacks. The Nazi notion of peace and war is essentially aggressive. In it there is no room or time for defence; they must fight or fall. They weaken their potentially stronger enemies political means before they strike at them in battle. defensive rôle has up to now been imposed upon the

Allies, General Smuts pointed out in his oration, not only by "the intensive secret preparations of the enemy for six years before the war," but also

by the false sense of security he had sedulously fostered among us, and by the mood of appeasement which had thus been created.

This political offensive, begun by the Nazis in their own country from the outset of their career, is still in spate. It was the Bolshevik bogey and all its affiliated fears for property, prestige and precedence which gave the Nazis support at home and appeasement abroad. In 1941, when the decision was made to strike at Russia, the hope was high that, once again, the fear of revolution would prevail against the fear of Germany in the policy of Britain—and the United States. The hope was dashed. The alliance of the United Nations was made. Battered Russia was nourished with the offer of Allied supplies. But the hope is not dead. The Nazis know well that, if the United Nations pull their full weight together, there is no single chance of making good their promise to keep the *Herrenvolk* well supplied and secure in the European fortress. But they still hope that the political weakness of the Grand Alliance will neutralise its military strength. To the citizens of democracies there is a sharp division between politics and war. To the Nazis there is none. "War (as Clausewitz said) is only a continuation of politics by other means." The panzer spearhead of Nazi war politics is still the Bolshevik bogey. The Nazis believe that the conditions of appeasement can be recreated, that the doubts which exist between Russia and its Allies—and the clash between the "rival imperialisms" of Britain and the United States—will kill the will of the free nations of the world to pool their power against the aggressors. In a broadcast on Tuesday, Laval stated the doctrine of his Nazi masters:

Germany rose up against Bolshevism and, with all those who are fighting at her side, she is checking it and preventing it from sweeping over all Europe. . . . If Germany was beaten the Soviet Union would rule Europe to-morrow.

It is a subtle lure, and an old one. As an offensive weapon it works two ways. First, Laval everywhere swallow it hook, line and sinker. Secondly, to take only one example, the Communists in this country, surely the most maladroit and sterile politicians of modern times, show by their totally unfounded insistence that there are Laval in office in Britain holding back the Second Front that they, too, have taken the Nazi bait; they permit themselves to be tricked into playing the Nazi game of divide and rule. In the same way, the speech of Mr Cowles, of the US Office of War Information, discussed on page 511, must have given joy to Germany.

Politically, the Nazis are still on the offensive. They have failed utterly to swing the citizens of either Britain or the United States or even Europe to the side of their Russian "crusade." But hope has not gone. That is the point. The "defensive" strategy of Germany in coming

months will be bitingly offensive. Militarily, every possible offensive action to divide the Allied forces will be attempted; and the Reich is still very strong. Politically, the offensive to split Right from Left and Ally from Ally will continue.

It is in this light that the Allies should regard their obligations and responsibilities in the months to come. There can be no question of waiting for the walls of Jericho to crumble at a trumpet blast. It is the aim of Axis propagandists, by appearing Maginot-minded themselves, to restore Maginot-mindedness among the makers of Allied strategy. To implant the belief among the Allies that Germany can, and will, attack no more, would be a victory in itself. By staving off Allied action, it would give that breathing space which is so much needed for the process of digestion of which Goebbels speaks—and for recovery from the great failure in the attempt to annihilate Russian military resistance. It would break the hearts of those who resist and suffer and starve and wait in Europe; and it would frustrate and embitter the spirit of those in Britain and the United States who look to early action to embody their will to fight beside the people of Soviet Russia.

There can be no waiting for the over-ripe plum to fall. There must be action; and, above all, there must be solidarity. Whatever may be thought of the deliberately awkward Soviet agitation for the trial and punishment of Hess, it remains an important fact that Hess is a symbol. He came to Britain in 1941 to switch the war from Germany to Russia. And the Russian clamour is a token of a shrewd recognition that the Germans still hope to do by politics what they have failed to do in battle. That such a demand can be made so loudly and so widely in Russia is a sign, not only of the distresses, dreads and disappointments of the Russian people, but also of the gaps that still exist in the political and strategic planning of the Allies. It is easy to say what the task is: to deploy with the utmost strength and the utmost speed every atom of power against the enemy before his well-laid politico-military plans can do more evil; to resist every effort of the Nazis to win by propaganda or political suggestion the victories they have failed to consummate in battle; and to take as the end of every effort the aspirations of the ordinary man, which is to deal a knock-out blow against the common enemy as soon as possible.

The course for the Allies to follow [General Smuts declared] is clear. Whatever help in whatever form we can give to Russia to sustain her in her colossal effort should be given in fullest measure and with the utmost speed.

Have the right ways and means of joint planning and common action, over the length and breadth of the Grand Alliance, yet been devised. This is the vital question which is being obscured, no doubt to the great glee of Goebbels, by parrot talk about Germany's "defensive strategy" and by the gossip of chattering tongues and poison pens about "ideological" differences between the Allies.

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The Burden of Taxation

THE burden of taxation is never a matter of indifference to the public, and when it is as onerous as it is to-day it becomes a subject of the greatest public importance. The more is the pity that there is so little information on the real burden of taxes. Great play is made with the burden of income tax and surtax, since they are easily calculable. But in the last complete financial year the yield of these two taxes was not much more than a quarter of the total of the compulsory levies raised from the public by the national Exchequer and by local authorities. The incidence of the other levies entirely changes the picture of the way in which the burden of taxation is distributed that is derived from looking at income taxes alone. Hitherto the most recent authoritative estimate of the burden of taxation on incomes of different sizes was that made by the Colwyn Committee in 1925-26. The new estimate, bringing the estimates up to 1941-42, made by Professor Findlay Shirras and Dr L. Rostas, under the auspices of the National Institute of Economic and Social Research,* is therefore particularly welcome, the more so since it goes into far greater detail and covers a wider scope than any previous enquiry.

The full burden of taxation is not capable of exact distribution among the incomes that bear it. Even income tax, which is simple to calculate, has its pitfalls, since such details as claims for expenses, allowances for life assurance and the like affect the result; and the incidence of some other taxes is even less calculable. But almost everyone consumes, say, tea and sugar, and the burden of these duties can be imputed without serious inaccuracy. Professor Shirras and Dr Rostas group income tax, surtax, employees' social insurance contributions, tea duty, sugar duty, and a few other small indirect duties on such things as matches, as the "unavoidable" burden of taxation, and for them they give precise estimates in a wealth of detail. Outside the "unavoidable" group, however, the certainty of estimate is much smaller. Death duties cannot be avoided by those who leave property, but their burden on income is difficult to calculate. The burden of duty per pint of beer or per pound of tobacco is known; but how many pints or pounds does the representative taxpayer consume? There are some data to work on: the total consumption is known, family budgets give some guidance, and the experience of the trades concerned is helpful. But the "estimate" is no more than a series of guesses which are consistent with each other and fit the known facts. Again, it would be misleading to give a figure for, say, the tobacco consumption of a representative taxpayer with an income of £500. It is necessary to guess at the consumption of a man who, within his means, is a heavy or a light smoker and drinker. The two chapters in which these detailed estimates are carefully worked out are among the most interesting in the book (though they do not, of course, include the heavy increases of this year's Budget). The results, as the authors emphasise, are no more than guesses; but they cannot be very far from the truth.

There are other taxes whose incidence is even harder to assess, such as the purchase tax, protective duties, taxes on public motor transport (which are passed on in the fares charged), taxes on business profits, the Post Office's profits, and local rates. In many of these cases, the authors made an attempt at an estimate; in others the task of allocation is impossible, but 82 per cent of the total tax burden of 1937-38 is tentatively allotted to the incomes that bear it. The chief omission that,

from its nature, is susceptible of estimate is the burden of local rates, but that, as the authors remark, awaits a closer knowledge of the methods of valuation.

From the theoretical point of view, much the most interesting chapter in the book is that which deals with the burden on income of death duties. Past inquiries, including that of the Colwyn Committee, estimated the burden of death duties by the simple method of stating the cost of taking out a life insurance policy sufficient to cover the duties and leave the capital intact. But when this method is applied to the present rates of taxation it gives fantastic results, running up to figures in excess of 100 per cent for the largest incomes. Now to say that a rich man pays in taxes more than 100 per cent of his income is to imply that he (or his heirs) would be better off if he had less property—which is patently absurd. The authors were therefore under the necessity of finding some other method of estimating the burden of death duties, and they have adopted a method devised by Mr Nicholas Kaldor (who contributes part of the chapter). Mr Kaldor points out that the burden of death duties on a given property income depends, not only on the value of the property now, but also on how much of the income from it is saved between now and the time of death. The insurance method makes one assumption—namely, that everyone saves enough, but only just enough, to keep his capital intact—and leads straight to the ridiculous result that a rich man is presumed to be willing to draw on his capital in order to keep his capital intact. The problem is therefore to make reasonable assumptions about the volume of saving done by those liable to death duties. No one assumption is valid, and Mr Kaldor therefore makes two. The first is that there is no net saving at all, which gives a minimum estimate of the burden of death duties. The second is that saving is done to exactly such an extent as will, over time, provide the maximum income from the property. For the details of these statistical ingenuities, the reader must be referred to the book.

It is quite impossible within the compass of a single article to give more than the briefest examples of the results of the enquiry. These are contained in the tables printed herewith, all of which are summaries of much more detailed tables in the book itself, which will serve as a most valuable source of reference for all manner of information relating to the rates and burden of taxes and to the consumption of dutiable articles. But the extracts here given, together with the chart, are enough to illustrate the main conclusions that emerge. The first is almost too obvious to state: the present burden of taxation is very much heavier, on all classes of income, than ever before. It is, for example, distinctly higher than at the end of 1918-19; for the lower and middle incomes (those up to £2,000) the burden is, at most levels, about twice what it then was.

The other main conclusion is that the British system of taxation has been getting noticeably more equitable. The test of an equitable taxation system is, of course, whether it is progressive—that is, whether the proportion of income taken in tax rises steadily as income rises. On the chart, a progressive burden would be represented by a line that rose steadily from left to right. It will be seen that the taxes of 1913-14 were not at all progressive; the line is almost horizontal. During the last war and the years of readjustment up to 1925-26 taxes were increased on all incomes; but the increase was inequitable, and the man with £100 actually paid twice the proportion of his income in taxes that the man of £500 a year did. This inequity was not substantially altered (except towards the top end of the scale) on the eve of the present war. But wartime taxes have gone a long way towards correcting it. It is true

* "The Burden of British Taxation." By G. Findlay Shirras and L. Rostas. The National Institute of Economic and Social Research Studies No. 2. Cambridge University Press. 240 pages. 15s. net.

that the line still dips, instead of rising, in the lower incomes and that the £100 taxpayer still pays as high a proportion of his income (though no longer twice as high) as the £500 taxpayer. But the married man with three children and an income of only £100 a year is now, it must be hoped, a very rare bird and, where he exists, must draw substantial extra benefit from the

expenditure of the state (which is nowhere included in these estimates). From £200 a year (or a little more) upwards, the present tax curve is progressive and in the upper reaches it is confiscatory. Whatever else may be its defects, substantial equity has been achieved. This is not the least of the social triumphs of the war; and it is one that should be retained when the war is over.

I.—BURDEN OF UNAVOIDABLE TAXES

Income	Fully Earned Income. Married Man with Two Children					
	1937-38			1941-42		
	Income Tax, Surtax and Employees' Insurance Contributions	Tea, Sugar and other Small Indirect Duties	Total Burden	Income Tax, Surtax and Employees' Insurance Contributions	Tea, Sugar and other Small Indirect Duties	Total Burden
£ 100	3.5	2.1	5.6	4.4	3.1	7.5
150	2.3	1.7	4.0	2.9	2.4	5.3
200	1.7	1.4	3.1	2.2	1.8	4.0
250	1.4	1.2	2.6	1.8	1.4	3.2
300	1.1	1.0	2.1	1.4	1.3	2.7
350	0.9	0.9	1.8	1.1	1.1	2.2
400	0.8	0.8	1.6	1.0	1.0	2.0
500	0.7	0.6	1.3	0.9	0.9	1.8
1,000	10.3	0.3	10.6	30.1	0.3	30.4
2,000	16.4	0.1	16.5	38.8	0.2	39.0
5,000	28.3	0.1	28.4	43.1	0.1	43.2
10,000	38.5	(a)	38.5	67.8	0.1	67.9
20,000	47.5	(a)	47.6	80.5	(a)	80.5
50,000	56.6	(a)	56.6	90.7	(a)	90.7

(a) Negligible.

II.—TOTAL BURDEN OF TAXATION

Note.—The following two tables take account of all taxes whose incidence can be distributed between individual incomes. They assume a consumption of alcohol and tobacco which is moderate for each income, and also, where appropriate, a moderate amount of private motoring. The taxpayer is assumed to be married and to have two dependent children.

(a) Earned Incomes

Income	1937-38				1941-42			
	Un-avoidable Taxes	Tobacco and Alcohol	Other Taxes	Total	Un-avoidable Taxes	Tobacco and Alcohol	Other Taxes	Total
£ 100	5.6	8.0	4.3	17.9	7.5	15.0	4.9	27.4
150	4.0	7.4	5.0	16.4	5.3	13.5	5.2	24.0
200	3.1	6.5	5.6	15.2	4.0	12.1	5.4	21.5
250	2.6	5.9	5.4	13.9	3.2	11.2	5.2	19.6
300	2.1	5.5	5.4	13.0	2.6	10.1	5.1	17.8
350	1.9	5.1	5.3	12.3	2.3	9.6	5.1	17.0
400	1.7	4.8	5.3	11.8	2.1	9.1	5.1	16.3
500	1.5	4.4	5.3	11.2	1.9	8.6	5.1	15.6
1,000	10.6	2.4	6.3	19.3	30.4	2.6	4.4	46.0
2,000	16.5	2.0	5.0	23.5	43.2	2.2	3.9	49.3
5,000	28.3	1.8	4.3	34.4	55.2	1.3	2.5	59.0
10,000	38.5	1.0	3.1	42.6	67.9	0.6	1.6	70.1
20,000	47.6	0.3	1.6	49.5	80.5	0.3	0.9	81.7
50,000	56.6	0.1	1.0	57.7	90.7	0.1	0.5	91.3

(b) Investment Incomes

Note.—The difference in the burden of taxation on earned and investment incomes lies in the burden of income taxes. The figures for indirect taxes are consequently the same as in the table above. The divergence between "minimum" and "maximum" estimates arises from the method of calculating the burden of death duties.

Income	Total Burden of Taxes, 1937-38		Total Burden of Taxes, 1941-42	
	Assuming the Minimum Estimate for Death Duties	Assuming the Maximum Estimate for Death Duties	Assuming the Minimum Estimate for Death Duties	Assuming the Maximum Estimate for Death Duties
£ 100	16.4	16.5	25.3	25.4
150	16.1	16.2	23.4	23.5
200	15.5	16.0	21.3	21.8
250	15.0	15.1	21.3	22.2
300	14.4	14.7	21.3	22.9
350	14.7	15.1	21.3	23.1
400	14.7	15.1	21.3	23.1
500	14.7	15.1	21.3	23.1
1,000	27.6	31.1	37.1	47.4
2,000	31.9	38.2	47.4	53.4
5,000	33.3	41.0	55.8	63.8
10,000	39.4	52.0	63.7	75.4
20,000	47.2	66.7	73.5	79.4
50,000	55.2	70.4	83.2	86.4
	63.2	69.6	91.3	93.6

III.—NET INCOME AFTER ALL TAXES

Note.—This table shows, for a married man with two children, the amount of his gross income left after direct and indirect taxation in 1937-38 and in 1941-42, both in the case of earned income and investment income.

Income	Fully-Earned Incomes		Fully Investment Incomes	
	1937-38	1941-42	1937-38	1941-42
£	£	£	£ (a) (b)	£ (a) (b)
100	82	72	84-84	75-75
150	126	114	126-126	116-116
200	170	156	170-170	158-158
250	215	200	213-213	198-198
300	264	237	258-258	225-225
350	311	266	303-303	252-252
400	345	345	400-390	315-300
500	430	600	720-690	530-470
1,000	1,520	1,080	1,360-1,240	940-720
2,000	1,875	1,275	1,680-1,480	1,100-780
5,000	3,350	2,050	3,050-2,400	1,800-1,250
10,000	5,900	3,000	4,300-3,300	2,700-2,100
20,000	10,000	3,600	9,000-6,000	3,400-2,800
50,000	21,000	4,500	18,500-15,000	4,000-3,000

(a) Minimum estimate for Death Duties.

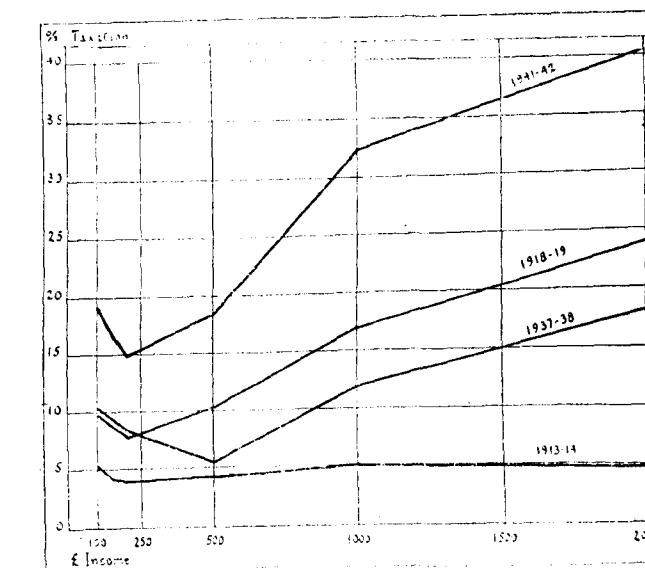
(b) Maximum estimate for Death Duties.

IV.—THE RISE IN TAXATION

Note.—In the next table the total of direct and indirect taxation (omitting certain small items) is shown as a percentage of gross income (fully earned) in respect of a married man with three children, for selected years from 1903-04. It gives a broad picture of the rise in taxation since the beginning of the present century, at various income limits.

For incomes up to £2,000 the rise in the burden of taxation on earned incomes is illustrated in the following chart.

BURDEN OF TAXATION ON SMALL AND MIDDLE INCOMES
(Husband, Wife and three Children. Fully earned Income)



DIRECT AND INDIRECT TAXATION FROM 1903-04 TO 1941-42

Income	1903-04	1913-14	1918-19	1923-24	1925-26	1930-31	1937-38	1941-42
£	%	%	%	%	%	%	%	%
100	5.6	5.4	9.9	14.1	11.9	11.0	10.4	19.1
150	4.5	4.4	9.0	13.5	11.6	10.9	9.5	16.7
200	4.8	4.0	7.9	11.8	10.2	9.6	8.4	14.8
300	5.3	4.4	10.2	14.1	11.0	9.7	11.8	32.2
500	6.1	5.2	16.9	17.9	15.2	15.7	18.0	40.5
1,000	5.7	4.9	24.0	28.5	23.2	26.3	29.2	56.1
2,000	5.5	6.7	36.6	37.1	31.2	35.8	39.1	68.3
5,000	4.9	8.0	42.5	42.3	37.5	43.5	47.9	80.7
10,000	4.9	8.3	47.6	48.0	44.4	51.4	56.7	90.7
20,000	4.8	8.4	50.6					
50,000								

NOTES OF THE WEEK

The Battle of the Red Barricade

The army which used to overrun whole European countries in a few weeks has spent the past week in storming single blocks of flats and factory sheds at Stalingrad. The Red October and the Red Barricade plants have become prizes of almost as great an importance for the Fuehrer's GHQ as Paris or Brussels were two years ago. Hitler has staked his prestige on the outcome of the Stalingrad fighting. His promise to capture the town has now to be redeemed at any cost. But, besides Hitler's prestige, there is a more material issue involved in the battle. The problem with which both the Russians and the Germans are now confronted is where the front line in the south is going to be set for the winter; and it is on the delays in the Stalingrad fighting that the solution of this problem hinges. Should Stalingrad fall within the next few days, the Germans might still have time enough to organise their winter front on a line running south from Stalingrad along the Ergeni hills, if not along the lower Volga. They might also be able to bring the battle for the north-eastern Caucasus to a conclusion, and thus secure for themselves an almost impregnable defence line for the winter. A further prolongation of the battle of Stalingrad would almost certainly deprive them of this chance. The main defence line would then have to be established somewhere to the west of Stalingrad; and a local Russian counter-offensive might well succeed in pressing it back to the Don and to Rostov—a rather unpleasant prospect for the Germans after their costly advance from the Don to the Volga.

Winter and Morale

The climatic conditions of the Volga region and of the Northern Caucasus forbid large-scale moves no less than do the severe frosts of Northern Russia. Towards the end of November Hitler's armies will have to take up their winter quarters. The question is how will a second Russian winter affect his soldiers? That their morale was near the cracking point last winter Hitler himself has admitted. That the strain will be very great this winter, too, is certain. But it would be unwise to place exaggerated hopes on this. The *Wehrmacht* will probably be able to stand the second Russian winter better than it stood the first one. It has gained some costly but valuable experience in making itself frost-proof. The Todt organisation has made a tremendous effort to make the conditions of hibernation as tolerable as possible. Transport facilities in the occupied Russian territories will, no doubt, be better organised than they were last year, though the communication lines in the south have been dangerously lengthened in the meantime. Yet another advantage which the Germans enjoy is the fuel base of the Donbass situated conveniently near to the front line. Probably the technicians of the Todt organisation have by now restored some of the damaged pits, and it would not be surprising if they succeeded in getting out of this mining area, which used to supply the whole of European Russia, enough fuel to heat the dug-outs, huts and barracks of the invading army. The Russian armies, unfortunately, cannot hope for coal supplies. General Winter will not, at any rate, take the Germans by surprise this time, as he did last year—though valiant Russian guerillas may. The conclusion from all this is that it would be unwise to expect any decisive break in the morale of the German forces in the east. In fact, the morale of the German home front may well be more vulnerable than that of the front line this winter, if the season is used for intensive and unrelenting bombardment.

Post-war Lend-Lease

One of the oddities about current discussion is the anxiety which even the best-equipped minds display to find simple, painless escapes from economic realities. One example is the tendency to say, after having discovered master, that finance does not matter at all. Another is the disposition which several people show to treat the problems

of post-war trade in the same easy-going way. It is the old search for a nostrum, a philosopher's stone, a Gyges ring—mapped out with all the subtlety of able dialecticians. The occasion of the visit to this country of Mr Henry Morgenthau, secretary to the US Treasury, is being taken to restate the argument which has now become familiar, namely, that the problems of world trade after the war can be neatly and finally solved simply by applying to world trade the principles of Lend-Lease. In two senses, of course, this is a truism. In the first place, immediately after the war is over, there will be many countries in need of relief, support and supplies, which will be in no position for a considerable period to pay for these things by the normal processes of exchange. They will be in precisely the same position as the belligerent who cannot, at one and the same time, export and make war. It has already been made plain by the United States that Lend-Lease will be a main instrument of this relief variety of reconstruction. Secondly, it is true that, even after the processes of world trade have been restored, the only hope for a continually expanding commerce between the nations will be an agreement between them not to permit short-term financial considerations to impede either the establishment of full employment in each separate country, or of full trade among all the nations. This does not mean, however, that the various countries of the world will become, or can possibly become, the permanent pensioners of the United States. It means rather, as Mr Stettinius, US Lend-Lease administrator, put it the other day, that the Lend-Lease partnership must be continued after the war in order to contrive by international agreement "the institutions which will turn the processes of reconstruction into the processes of international trade." General Smuts put it neatly in his speech on Wednesday.

We have accepted the principle of international help underlying the Mutual Aid Agreement. The helping hand in international life is thus already a matter of practical politics and could be suitably extended after the war. The conception of "the United Nations," he declared, is a new conception "much in advance of the old concept of a League of Nations." On its basis, "practical machinery for the functioning of an international order" can be built. After the war, Lend-Lease, after the period of relief to ravaged and exhausted countries, will mean, first, international co-operation; and, secondly, as President Roosevelt said recently, the establishment of "stable exchange relationships and liberal principles of commerce." These are the basic points.

The Principles of Trade

A week or so ago, Mr Harry Hawkins, of the US State Department, pointed out that if the United States were to insist on repayment under Lend-Lease either in cash or in kind, it might "ruin its best customer, at a time when it would need as never before prosperous foreign markets." Mr Hawkins was not, by this, envisaging a future in which the United States would continuously and permanently make free gifts to the rest of the world. He was merely pointing out that war debts differ from the debts which arise from the normal processes of investment and trade in so far as they do not beget goods and services by which the obligations which they represent can be discharged. In its war aspect, Lend-Lease may indeed never be repaid in full; in fact, the principle of equal sacrifice, which President Roosevelt has laid down as the basis for striking the final account, would leave a very much smaller balance due from, say, this country or China than the mere figures of aid given and received would suggest. Similarly, the relief work which will be done under Lend-Lease after the war may require the same sort of adjustment of obligations incurred to the ability to pay. But, in its final form, Lend-Lease will surely merge into the regular procedure of world development by long-term world investment, with its obligations being discharged as the fruits of investment appear. In their search for a short cut, too many people run the risk of forgetting that the determinants of regularity, prosperity and progress in world economic relationships will remain, after the war as before, the free movements of goods and capital and the stability of international exchanges.

Achievement

When he moved the supplementary vote of credit in the House of Commons on Tuesday, the Chancellor of the Exchequer was rightly pleased with the state of this country's war finances. In the earlier stages of the war, there was a chronic tendency, which persisted far too long, to underestimate the increases in the rate of war expenditure which the progress of mobilisation for total war would necessitate. This period has ended. The estimates for 1942-43, both of expenditure and of revenue, are likely to be proved roughly right. Indeed, there is some likelihood that it will be not expenditure but revenue which has been underestimated this time. Broadly, the country's resources are now fully mobilised—though greater efficiency in organisation and technique may still step up output considerably—which means that the rate of war expenditure now tends to run at a steady pace from month to month without striking increases. Sir Kingsley Wood compared the figures of finance for the first three years of this war and the last one; that is, he set the figures for 1939-42 against those for 1914-17. The results of such a comparison, as was pointed out in *The Economist* a short time ago, are remarkable. Expenditure in 1939-42 was two and a-half times as great as expenditure in 1914-17; the yield of taxation was four times as large, taxes representing two-fifths of expenditure in the first three years of this war against barely one-fifth in the first three years of the last war. Moreover, in bridging the difference between expenditure and revenue, the superior achievements of this war are equally outstanding. In 1914-1917, the small investor contributed something like £200 millions to Government loans; in 1939-42, the small investor lent £1,500 millions. In addition, Sir Kingsley Wood pointed out that, while the average rate of interest on the increase in Government indebtedness between 1914 and 1927 was five per cent, the figure for 1939-42 was only two and a-half per cent. To some people, of course, these notable figures mean little or nothing. There is a school of thought which believes that the physical controls by means of which the state appropriates resources for its own purposes and denies them to civilians are so comprehensive and effective in this war that finance does not matter.

All Clear?

It is, of course, perfectly true that—in spite of the fact that even the relatively successful methods of financing which have been adopted in this war have left a gap between expenditure, on the one hand, and revenue plus genuine savings, on the other—there have been few inflationary consequences so far. That is to say, price control (with its concomitant of subsidies to keep prices down), wide rationing and the limitation of supplies have prevented the scramble for goods which is the signal for inflation. It would be a rash man, however, who would seriously argue either that inflation, actual or potential, has been entirely avoided or that the situation may not change sharply if there is any further appreciable increase in excess purchasing power. The logical argument of the "realists," carried to its ultimate end, implies, not only that there is no need for fresh taxes or further savings to mop up in excess incomes, but also that there is little or no need, because of the success of the physical devices of control, for the taxes and savings which already exist. This cannot surely be meant. Moreover, there is a point, if earnings are permitted to rise greatly in the next months, where the pressure upon costs represented by this piling up of labour charges cannot be prevented from progressively puncturing the present price ceilings—when not even a drastic policy of subsidy could preserve the present price structure. A combination of physical and financial devices has so far enabled the nation's resources to be fully mobilised without any drastic and inequitable alterations in the value of money; but Sir Kingsley Wood cannot take it for granted that this gratifying state of affairs will continue indefinitely and in any circumstances. There are already signs, seen on the fringe of unrationed goods and services, of an inflationary scramble; and that fringe is by no means so unimportant as some people would suggest. It includes, not only a great range of pernicious black and grey markets, but also the wide and important fields of public entertainment, public travel, fuel, land and even stocks and shares; here is the material for social friction, inequity and discontent. If the argument of the "realists" is taken at its face value, a primrose trip would be begun which might conceivably end, quite suddenly, in a widening fear among the public for the

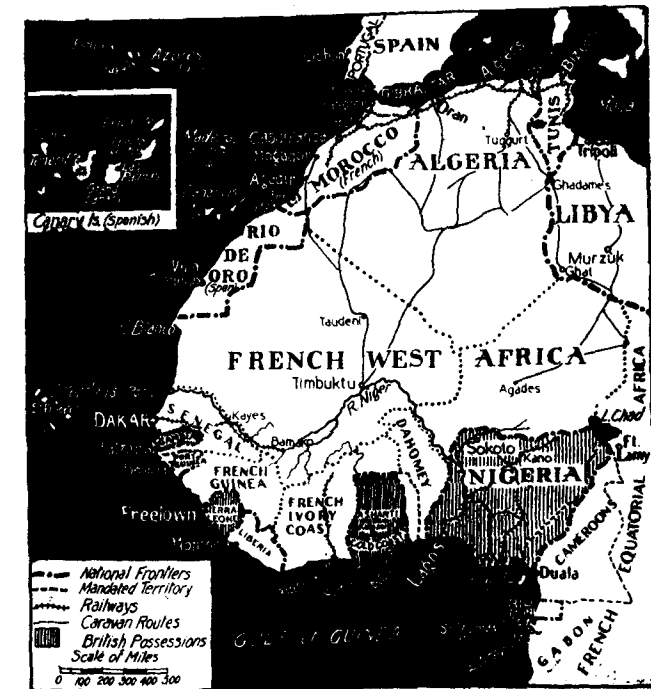
stability of the currency and a much more dangerous flight into real goods than has yet been even suggested.

Collective Bargaining

During the debate on the Vote of Credit in the House of Commons on Wednesday, several speakers drew attention to the danger of an uncontrolled upward movement in wage rates. Mr Summers, definitely overstating his case, said that the floodgates had been opened and that the very stability of the wage structure was in doubt. Other speakers took the opposite view; Mr Clement Davies stated unhesitatingly that the present danger of inflation would disappear if rationing were complete. But the general feeling of MPs was one of anxiety about a policy of drift. In his reply to criticisms, Mr Bevin, Minister of Labour, strongly defended the system of collective bargaining, buttressed by arbitration in case of disagreement between trade unions and employers. No unprejudiced person can disagree with the Minister's claim that the present system has served the country well. Production per man-hour has increased. Shipbuilders on the Clyde and the Tyne are giving double the output per man of those in the United States. No doubt the yield of war equipment per man is influenced by earnings, and the remarkable results achieved in British war factories are not unconnected with the steady rise in wages. The processes of collective bargaining have so far been peaceful and effective, and there is much to be said for their preservation, but only so long as the upward movement in wages is held in check—and so long as the incipient trend towards more strikes is arrested. If wage claims were allowed to deteriorate into a general scramble they would defeat their own objects. The dangers of such a scramble are well known to the Government; they were fully set out in the White Paper on Price Stabilisation and Industrial Policy issued by the Government in the summer of last year. But, in the absence of Government control of wages, which would be difficult to introduce and operate now, the trade unions alone can impose that measure of restraint upon demands for wage increases which is essential to the maintenance of an efficient system of collective bargaining. The time has come for the trade unions, in agreement with the Government, to formulate and announce a policy.

Darkest Africa

Official quarters in Washington have kept very dark about movements in Liberia, and it was left to Reuter's correspondent to make the announcement that American troops had landed at Monrovia, the capital of the negro republic, last Saturday. The name of President Roosevelt's representative has not been disclosed, nor has the subject-matter of his discussions with President Barclay. To make up for Allied reticence, Axis spokesmen have been indulging in an orgy of speculation about the significance of the landing and about possible developments in Africa—not impossibly as an overture to their own moves



in these parts. The Vichy press and radio reflect alarm about the threat alleged to be presented to Dakar, hinting that participation by the United States in any offensive directed against the French Empire might lead to a rupture of diplomatic relations. The Governor-General of Dakar has declared that the port needs no outside help for its defence; but the paper *Aujourd'hui* reveals that the Vichy Government last April refused an offer of assistance from the Japanese in the defence of Madagascar with disastrous results and warns against a similar fate overtaking Dakar. The German radio comments on the coincidence of Admiral Darlan's visit to Algiers "at a time when the landing of US troops in Liberia has made defensive measures by the French military command necessary." A glance at the map, however, should suffice to show that there are far more favourable jumping boards for an attack on Dakar in the British colonies of Gambia and Sierra Leone than Liberia, which is nearly 700 miles away as the crow flies. It is reasonable to suppose that the landing is in the main a precautionary measure, designed to safeguard the vital Cape route. There have been reports of increasing U-boat activities in the Cape Palmas area, and the long undefended sandy coastline of Liberia offers admirable facilities for submarines. Moreover, Monrovia is one of the nearest points in Africa to South America, its distance from Brazil being only 50 miles longer than that from Dakar.

French Labour

Laval has made a last attempt to honour his bargain with Germany about French labour. In a broadcast on Tuesday, he openly admitted that the only alternative to the "voluntary" recruitment of workers for Germany is the application of the Sauckel decree to occupied France. He asked the French to share his admiration for the German generosity which has allowed him, Laval, to substitute his own press gangs for the German ones. Faced with the failure of the whole deal, Sauckel and Laval have resorted to cunning. They now try to make the wives of the prisoners assist the press gang. The Fuehrer has consented to allow French women to join their prisoner-husbands in Germany and to work there, provided the required number of French workers are supplied. Thus the women of France are to drive the workers into the trap, before they themselves fall into it. The trick is much too transparent to succeed. Laval, therefore, evokes the "higher interests" of France. He states that the peace conditions which Germany will impose on France will depend on the contribution of French labour to the "new order." But he has the difficult task of dispelling the open scepticism of his people about Germany's chances of winning the war and dictating the peace. The bogey of Bolshevism, which Laval flaunted, can hardly impress or frighten the metal workers of the Parisian *ceinture rouge*. The Germans themselves do not seem to place much reliance on the effectiveness of Laval's appeals, threats and flatteries; and the labour census which is now being taken in Occupied France is obviously meant as a preliminary step to the application of the Sauckel decree. The resistance of the French workers has, in the meantime, grown into a strike movement. The position is very tense. Much political explosive stuff has been accumulated; and the great problem of the French underground movements now is how to combine effective resistance with the avoidance of a premature outburst.

Bread and Milk

The season of comparative abundance is over, and the lean period is beginning, in which Lord Woolton prophesied some weeks ago that big changes in the nation's diet would occur. The changes announced this week seem innocuous enough. At long last it has been decided to save shipping space on bread grain by adding home-produced flour to wheat flour. Advantage has been taken of the good oats and barley crops to add small proportions of oat and barley flour to the national loaf, which will improve its appearance, according to Lord Woolton, but not alter its taste. Potato flour is still being experimented with, and when its quality and quantity are approved, it will be used as well. Lord Woolton is possibly being too kind in altering the national loaf; the step is long overdue and ought not to have waited upon the susceptibilities of the national digestion—or upon the no less tender susceptibilities of millers and bakers. Moreover, it may still be desirable that bread should be rationed—not to cut down consumption, for the ration could be ample for even big bread eaters—but to prevent waste. The waste of bread in private households is bad enough, but in restaurants it is worse; and the time has surely come for an end to be

made to the almost automatic grant of a roll with a meal. Lord Woolton's other main announcement this week was disappointing. From Sunday, the allowance of liquid milk to non-priority consumers will be reduced from 3 pints to 2½ pints a week, and a further fall to 2 pints is likely later on. Since the first cuts have come even earlier than last year, when the non-priority ration in the winter months was also only 2 pints a week, it is difficult to square this announcement with Lord Woolton's previous statements, made quite recently, that there should be more winter milk this year than last. It looks as if once again there has been some conflict between the Ministry of Agriculture and the Ministry of Food. Moreover, in view of the great importance of liquid milk as a food, the Ministry of Food's decision to continue manufacturing a certain amount for the time being may not be wise, especially since many people are not taking up their full cheese ration. It should not be forgotten that the Committee on tuberculosis declared that the adult population was inadequately supplied with liquid milk last winter. What the nation requires is less bread and more milk.

Necessary Journeys

The vital importance of road passenger transport to the war effort is stressed in the latest report of the Select Committee on National Expenditure. It finds that transport facilities still fall far short of requirements, and gives the warning that any further reduction of services, in the interests of petrol and tyre economy, may have adverse effects on industrial production. The problem is how to achieve maximum economy in fuel and rubber—especially rubber—while at the same time maintaining the efficiency of road transport services. The Committee reports a definite shortage of vehicles; the industry has received only 1,100-1,200 double-decker buses during the first three years of war instead of the normal increment of 5,000 a year. The position in regard to spare parts has eased, and the chief difficulty is shortage of labour and the very high rate of absenteeism (which in some districts amounted to 30 per cent during the winter months) among conductresses. The Committee recommends that the Minister of Labour should make more use of his powers to direct women into the industry; that more women should be trained for the maintenance grades; that part-time workers should be introduced; and that facilities should be given for women to do their shopping. In addition to the now familiar reasons for absenteeism among married women, such as domestic ties, shopping difficulties, lack of nurseries, the problem is accentuated in an occupation like bus conducting, where the work involves constant physical and nervous strain, and where welfare arrangements are difficult to organise. Much more could undoubtedly be done in many districts in the way of providing canteens and rest-room facilities, an aspect which the report ignores. Among the remedies recommended the staggering of factory hours, a system to be worked out for each locality by the local Transport Control areas; the earlier closing of shops; and greater use of railway facilities where suitable. Measures should be taken to eliminate unnecessary cross-travelling and to prevent the anomaly whereby Birmingham workers travel to Wolverhampton and *vice versa*; the Committee suggests that the Ministry of Labour should investigate the position and, wherever possible, direct workers to employment near their homes. It is a matter which might very well be taken up by the Regional Production Boards. Mr Lyttelton's recently stated plans to take work to the workers rather than *vice versa* are, for this among other reasons wise and prudent.

Belgian Resistance

Comparatively little is heard about conditions in Belgium, where the movement of resistance to the Nazi occupation, if not so spectacular as in France or Norway, is vigorous and growing in volume among all sections of the population. The Belgians experienced life under foreign domination in the last war and have a deep-rooted hatred of the Germans. The Catholic Church, although not persecuted to the same extent as the Church in Norway, is making a firm stand against the attacks by the authorities on religious freedom. The Archbishop of Malines recently declared: "It is a duty to resist oppression," and he is supported in his attitude by Canon Cardijn, founder of the Jocist (Young Catholic Workers) movement, who has now been arrested and interned. There are reports of increasing acts of sabotage and terrorism, and of open

opposition among the workers to being forced to work in Germany, where it is estimated that some 300,000 have been sent. "Go slow" tactics are being adopted in industry and some 60 illegal newspapers circulate throughout the country. The majority of the employers, too, are refusing to collaborate—seven prominent industrialists recently declined to send their technical personnel and employees to Krupp's works in Essen; and many employers have been heavily fined for refusing to supply the authorities with lists of their workers. The UTMI (*Union de travailleurs manuels et intellectuels*), the corporate trade union founded by Henri de Man, is boycotted by employers and workers alike. M. Delfosse, Minister of Propaganda and Justice to the Belgian Government, who escaped the other day, estimated that not more than 5 per cent of the population were collaborating with the Nazis. But it seems that even this minority of Rexist and Flemish Nationalists are growing disillusioned and the former Rexist leader Degrelle has been discredited and sent to the eastern front. M. Delfosse struck the same note as Sir Samuel Hoare recently in appealing for the utmost speed on the part of the Allies in rendering assistance to Belgium, in view of the desperate economic situation and food shortage which must inevitably undermine the capacity to resist.

Bygones?

Mr Bevin, like Mr Morrison, is often accused, by his friends as well as by his enemies, of having a blind spot in his views on Communists. Indeed, the allegation has been made against both these leading Labour figures, not only that their hostile regard for the extreme Left is detrimental to Labour unity, but also that it is detrimental to the war effort, since the Communists now favour the continuing of the struggle against the Axis. This is most unfair; and Mr Bevin's outburst last week, when he stated that he would never forgive those people who worked, agitated and plotted against the British war effort in the hours of Britain's greatest danger, was timely. The association of the Communists and their kindred with the war effort at the present time is welcome and useful. But it does not conceal the facts of 1939 and 1940, when the war was regarded by them as an "imperialist" war, and their policy was peace by appeasing the aggressor. They have an explanation of Russia's policy during these years which fits in very badly with their own conduct. Russia's pact with Germany and the occupation of the Baltic States and parts of Poland is interpreted in this argument, which is not unconvincing, as the necessary strategic preliminary to the assault which Hitler was bound to make upon the Soviet Union when the occasion arose. But, if Hitler's assault was certain, then it was equally certain that one of Russia's main props and stays when the attack came would be the friendship, support, assistance and alliance of the democracies; and it was to Russia's advantage to remain at peace as long as possible; it was equally to Russia's advantage that the western belligerents, who were fighting the Nazis then with no Second Front, should become as strong and as militant as possible. Deliberately to weaken them, as the Communists set out to do, was sabotage, not only against the interests and security of Britain, but also against the intimate interests of the Soviet Union itself. It surely behoved those people who are now calling most loudly for a Second Front to make certain in the years that went before that the material and psychological means for this Second Front were in active preparation on the utmost scale and at the utmost pace possible. It is not easy to forget these things when the accusation is being made at this moment in Communist circles that the war effort and the Second Front are now being sabotaged by certain mysterious appeasers of the Right who, it is claimed—without the submission of any evidence at all—are still lurking in Government office.

Financial Manpower

The report of the Kennett Committee on manpower in banking and insurance businesses makes several practical recommendations to secure the release of labour from these occupations. The Committee admits that the fruits of its labours must, in terms of men freed for service in the armed forces, be small. The sub-committee dealing with banking and allied businesses recommends the further closing down of bank branches and the elimination of some of the refinements of service rendered to bank customers (including a 2.30 p.m. closing hour for the

public throughout the year), and makes a number of technical suggestions about increased mechanisation, centralised bookkeeping and the pooling of staffs at large branches and headquarters. These recommendations may release some 500 men of military age now employed by the clearing banks and 125 by the Scottish banks. These institutions, it is proposed, should be immediately required to operate with 90 per cent of their pre-war staffs and to reduce the proportion to 85 per cent by next March. The Stock Exchange, where the numbers employed have fallen during the war from 14,000 to 6,052, of whom only 282 are men whose calling up has been deferred, is not expected to do much more. In its references to the insurance industry, the main point made by the Committee is that too much staff is still engaged in the search for new business, or in inducing business to be transferred from one office to another. It recommends that, over and above the self-denying ordinance by which many insurance firms discourage competition for business, means should be found to prevent the transfer of business from one insurer to another, except where adequate justification can be advanced. Throughout the report, stress is placed on the need for a regular review of deferments. It now remains for the industries concerned to give the recommendations of the committee practical expression. Many of the recommendations, though they come from outside, will be found to be practical and to reveal short cuts to labour economy. The actual number of men who may be released as a result of the enquiry is small. But the enquiry may well be found to have been very worth while.

Shorter Notes

The issue in the Solomon Islands still hangs in the balance. Last week, the Japanese effected a landing at Guadalcanar, succeeding, despite heavy losses inflicted by American naval forces, in bringing up substantial reinforcements. The Japanese bombarded American positions from the sea; and Americans have since bombarded enemy positions from both the sea and the air. As Colonel Knox, Navy Secretary, reminded a press conference in Washington on Tuesday, it seems that the Japanese have not yet made use of their maximum force in the Solomons fighting. In New Guinea, it remains to be seen whether the Japanese have been adopting a strategy of *reculer pour mieux sauter* or whether their retreat is, as it may well be, an admission of failure in this particular sector.

In a Note called "The Hidden Hand" which appeared on page 477 of *The Economist* last week, the Motor Agents Association was inadvertently referred to as the Motor Trades Association. Actually, the Motor Trade (not Trades) Association is a manufacturers' organisation and quite different from the Motor Agents Association, which claims to be "the representative trade association of the motor vehicle retail and repairing trade throughout Great Britain and Northern Ireland." The burden of the Motor Agents Association's complaint, which was discussed in last week's Note, is the way in which single motor manufacturers load their accredited agents with oppressive selling conditions.

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AMERICAN SURVEY

The Manpower Squeeze

(From Our Washington Correspondent)

October 3rd

THE bitterness of the antagonism of the commercial farm group against labour over the last few years has been compounded of a number of factors. One is the long-term trend by which urban America, over the decades, has come to outweigh rural America. During the last war, the Hamiltonians edged Jeffersonians off the road. To-day, there are not only about six city dwellers for every four countrymen; but, also, because the farms serve as the nurseries of the nation, and its place of retirement, there have been four city members of the nation's labour force in recent years to every one on the farm. These figures are basic to the exchange of courtesies in which the city man calls the farmer a hick and the farmer calls the city man a slicker.

The hick's feeling toward the slicker has been exacerbated as high mechanisation and trade unionism have combined to increase the return city workers get for their labour, and legislation has put a floor under wages and a ceiling on hours; the hick knows at first-hand that the sky is the limit to hours on farms. And this feeling has been fed by city conservatives playing for rural political support. It is worth noting that a number of the more vociferous labour-baiting members of Congress come from agricultural districts where industry is conspicuous by its absence, but where manufacturers' associations keep in close touch with the political machines.

The city's siphoning-off of the more vigorous members of the rural community at their most productive age has in normal years been a process of gravitation. But since war production has got under way, farm youngsters have been sucked out as if by an hydraulic pump. And now the reservoir is running dry. Voluntary enlistments and inducements under the draft are part of the story; a part that, since it is not a competitive matter, is recognised but not felt. The part that is felt is the competitive attraction of the wages at war plants. Farmers feed each other on accounts such as that carried by the current issue of *Cow Country*, official bulletin of the Wyoming Stock Growers' Association:

The following editorial from the *Denver Post* touches the most difficult problem now confronting farmers and stockmen: "Riding to Washington on a train, I met a man who was foreman in an Ohio defence plant. He stated he had twenty-three men working under him, all earning \$90 to \$130 a week on work that could be learned by any person in one day, and which could be done by women. Yet all of them enjoyed an occupational deferred classification."—Congressman Jonkman, of Michigan.

One of the most serious problems confronting this country is a farm labour shortage. It already is so acute that warnings of the danger of food shortages next year are being issued. Former Governor Lowden, of Illinois, who is recognised as one of the leading agricultural authorities, says, "there is a growing scarcity of labour in all branches of agriculture," and declares that "unless something is done to stop this draft of experienced farmers from the farm, I fear not only a food shortage, but in all probability a food famine." In both houses of Congress, investigations are being launched in hope of correcting the situation before it gets beyond control.

The farm labour shortage is the direct and inevitable result of administration war policies. Both the army and war industries have been stripping the farms of their manpower. Farm operators and farm workers have been drafted into the military service without any regard for the effect such a policy would have upon agricultural production. Such fancy wages have been offered in defence and war industries that farmers have been unable to compete with them.

But the city also has its sorrows over being short-handed. The limitations on the output of war goods which kept last month's production, as Donald Nelson recently announced, 14 per cent below schedule were in considerable part shortages in materials, and by early winter, in spite of the fact that many factories have been hoarding labour

(that is, padding their work force so as to have men on hand as operations expand), the pinch may have shifted to shortages of men. Or, rather, to the training and employment of women. Ordinarily, more than four-fifths of the male population, 14 years of age and over, are in the labour market, but only one-fourth of the female population. The gap between these proportions is likely to be greatly narrowed in the months immediately ahead. Over the past year, the number of women in the labour force has increased by 1,100,000, while the number of men has decreased by 1,300,000. The Bureau of the Census estimates that the country's total labour force in August of this year (excluding persons in institutions and in the armed forces) was 56.2 millions. Of this total, 54 millions were employed, 39.7 million men and 14.3 million women.

The Distaff Side

A memorandum of the Work Projects Administration, issued in April, underscores the extent to which future additions to the country's labour force must come from the distaff side. According to its figures, the country had last spring a labour reserve of 7.6 million persons, over 14 years of age, and not in the labour market at the time, but available for full-time work if a job opened up in their community within 30 days. Of this group, 6.5 million were housewives and half a million students. The great majority of this reserve would have to be trained—2.2 millions were entirely inexperienced, and of those who had worked at one time or another not far short of half had been out of the labour market for at least five years.

Surveys of work which women can do, and are doing, have been made by various agencies: the Manpower Mobilisation Committee has estimated that 80 per cent of the jobs—937 occupations—in 21 industries can be so handled. The Department of Labour's survey of the aircraft industry shows that women

are now scattered through many departments as operators in the machine shop; fabricating and forming sheet metal; doing detailed and precision assembly in electrical, radio, instrument, tubing and cable departments; building up minor and major assemblies of control surfaces for the wings, fuselage, empennage and final assembly welding; working with plywood, fabrics, and sound-proofing; working in tool and storerooms, and as part of the planning, clerical and messenger service.

In many cases, women are already being hired untrained, and given on-the-job instruction later.

A comparable training problem exists with regard to the student group which provides a large temporary labour reserve during the summer months (of particular interest to farmers), and makes a large annual permanent addition to the labour force—1.4 million in 1941.

The tighter the manpower squeeze becomes, the greater the pressure that will be exerted for Government direction to ensure its best use. Will concentrations of non-war industry increasingly take the form of shut-downs to release men for other effort? Will the categories of deferment under the draft, in respect to farm workers, for instance, be changed to provide occupational balance among war goals? Will workers be frozen in their present jobs to prevent pirating? Recent action of the War Manpower Commission in directing lumbermen and miners in certain areas to stay where they were is perhaps an opening wedge in this direction. Will workers be directed to move from areas of the country where there is little war work to areas where workers are needed? New York, for instance, is an area of current surpluses; Syracuse is expected to require 12,000, and Buffalo 40,000 additional women workers in the next ten months.

American Notes

War Information

The Executive decree which established the Office of War Information last June gave its Director, Elmer Davis, virtually unlimited power to formulate and carry out an information policy

provided only that it be consistent with the war information policies of the President and with the foreign policy of the United States.

In a trial of strength with the Services, the Information Office's wings were clipped somewhat. A more formidable test appears to be at hand now that its budget must be ratified by Congress. There are good grounds for thinking that the Republican opposition will concentrate much of its fire on information and censorship policy. The fortunate divorce of censorship from information which has been established in the United States will relieve OWI of the thankless task of defending a censorship which still causes much dissatisfaction by withholding the publication of losses, presumably in accordance with Service requests. But the Office of War Information is unlikely to avoid either a thorough-going investigation of its activities or Congressional strictures on their scope. The latitude which OWI enjoys, and which is in such marked contrast with the more modest rôle of the British Ministry of Information, was illustrated last week by the publication of a report on the quality of American aircraft, and by a speech delivered at Des Moines by Mr Gardner Cowles, Assistant Director of War Information. The aircraft report is striking both in its candour and its lucidity; as far as a layman can judge, it does a first-rate job of striking a balance between the achievements and failures of American aircraft design and production. It points with pride to the superiority in all theatres of Fortresses and Liberators and medium and light bombers; but it admits frankly the deficiencies of American fighters, particularly in the European theatre, and holds that early losses of naval aircraft were largely due to the Navy's use of obsolete planes. It further states that the problem of producing an efficient American fighter has yet to be solved completely. Presumably the report was based on evidence submitted to the Congressional committees investigating aircraft design; it would be interesting to know whether it was published with consent or at the instigation of the Services. In some respects, it is so sharply at variance with official Service statements that it is difficult to believe that there will not be violent reactions in some quarters. The full text of Mr Cowles' speech is not available, but quotations suggest that it poses even more sharply the degree to which an information service can serve as an independent policy-maker. Mr Cowles accompanied Mr Willkie on his recent tour of Russia and China; and parts of his address raise the most controversial issues. At one point he is reported to have said:

Differences are becoming so intense between England and China and England and Russia that it may virtually be impossible to put the world together again in some sort of workable and permanent peace.

Later, he gained a wider circulation for the story that

Stalin is said to have told Churchill that the three things necessary to beat Hitler are blood, materials, and time. The story continues that Stalin said Russia is supplying the blood, the United States the material and Britain the time.

He criticised very greatly the announcement which was interpreted as a promise to open a Second Front. But the most extraordinary passage reads:

Russia is fully aware of American aid towards Britain, which is enormous. Russia does not object to this aid if it is used for offensive action but feels it is vastly too much if Britain intends to use it only defensively. The Russians are beginning to feel that there is little difference between the Churchill Government and the former Government of Chamberlain which practised appeasement and indicated willingness to let Russia go under.

American agencies and officials enjoy a far greater autonomy than their British counterparts, but these quotations seem to conflict so directly both with the President's recent statements and other official statements that it will be surprising, and unfortunate, if they do not lead to clarification of the responsibility and functions of information policy.

United Nations

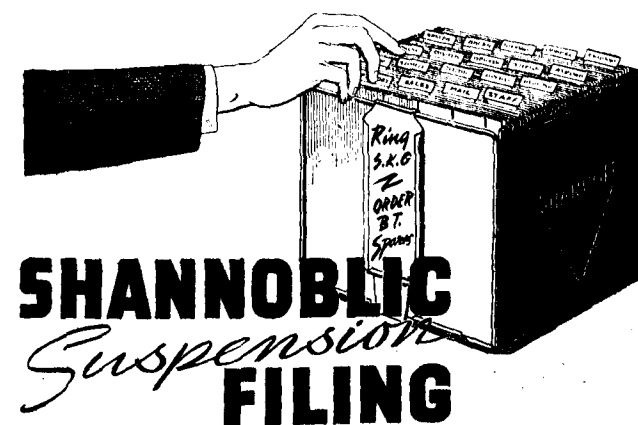
The emphasis which Assistant Secretary Berle laid on the soundness of American relations with Britain can only be interpreted as a rebuke to the accounts of dissension

over policy which have recently been given so much currency. The tribute was the more striking in that Mr Berle has never been known for immoderately pro-British sentiments. Speaking in Alabama on "The Realist Base of American Foreign Policy," Mr Berle argued that military developments would place the United States in a permanent front line, and that therefore it was imperative that the United States should maintain a close working relationship with Britain, Russia, and China after the war. On relations with Britain he said:

During a century and a quarter, though Britain has been a great maritime Power, a great competitor and our nearest overseas neighbour among the Powers, we have been at peace with Britain and have twice been her ally. No dispute has arisen which could not be solved by reason and common sense. I think our relations with Britain rest on our good sense rather than sentiment. . . . We have found that a strong and serene British Commonwealth of Nations is a great guarantee of the kind of world in which we want to live. . . . We do not even forgo our right to puff, grunt, complain about and argue with each other. In all crises we necessarily and instinctively hang together—and both of us have been safer and better off on that account.

After stressing the fact that the munitions resources of Britain and America constituted a common pool, Mr Berle went on to emphasise the necessity for maintaining this pooling machinery after the war, as a means of distributing scarce supplies until new arrangements can be made to reopen normal trade channels. But this co-operation is to outlast the period of reconstruction; Mr Berle gives official encouragement to the idea of applying the principles of reserve banking on an international scale. Mr Berle is an economist of note, and made good use of parallels drawn from American banking development and capital movements after the Civil War. He suggested that if this idea had been followed out after the last war, it would have created more employment, better wages, and a higher standard of living, and concluded:

The first world war taught us that military victory depended on united action. The second world war has given us a vision of limitless economic power achieved by co-operation. We must not again lightly throw away that power in the moment of triumph.

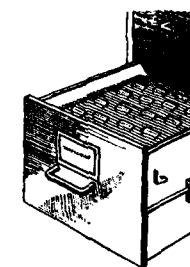


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Army Manpower

In fixing the US Army's goal for 1943 at 7,500,000 men, and outlining the way in which it is proposed to use the men, Mr. Stimson and General Marshall have made clear the Army's view of its own functions, and opened the way to a national manpower policy. The Army's demand for men is substantially below Mr. Nelson's suggested ten million, which he thought might have to be reduced. And any intention of raising a mass army has been specifically denied. Of this "conservative estimate" of 7.5 millions, 2.2 millions are destined for the Army Air Force—"the largest, with sustaining units, which production and transportation will allow." A million men will go into the supply units of the Services; another million will be in training; and the remaining 3.3 million will constitute a highly trained ground striking force. Mr. Stimson went out of his way to repudiate the suggestion that it was intended to maintain a large defensive force in the United States:

I want to say that, whatever the size of the Army, our sole criterion for gauging its strength will be its striking power, based on the calculation of mobile forces capable of offensive action, which is the only way we can win the war.

The purpose of the statement was to convince Congress of the need of amending the law to permit the drafting of 18 and 19-year-olds into an army which, according to Mr. Stimson, has too large a proportion of older men. The intention is to release these older men, many of whom are highly skilled, for essential civilian jobs, as boys under twenty, of whom there are about 2,000,000, join up. Once convinced of the military necessity, Congress has acted with speed. Even the proposal that boys in their teens should not be assigned to combat duty until after a full year's training was discarded after the receipt of a letter from General Marshall arguing that it would impose an impossible administrative task. The demands of the Army are not the only priority call on the nation's manpower. The Navy and the Marines will number about 2,000,000 at the end of next year, making a total for the armed Forces of about 9,500,000. Already the raising of half that figure has helped to produce manpower shortages in a variety of essential civilian occupations, particularly in the mines and on the farms. The withdrawal of younger men will cause less dislocation than the call-up of more highly trained older workers. But the time for the enunciation of a national manpower policy is plainly at hand. A House committee report issued this week strongly criticises the failure to

develop a clear programme of manpower allocation, and states that employers have no way of knowing how many skilled workers they will be allowed to keep. A public statement from the Manpower Commission's Management and Labour Policy Committee, which is expected shortly, is reported to oppose compulsion. Other reports indicate that a voluntary system will be given a trial before resort is made to National Service legislation on the British model. The Army's need for men has set the pattern of mobilisation; what remains to be settled is the degree of authority to be invoked, and a decision is needed as to what agency is to be entrusted with drawing up and administering the allocation of labour.

Shorter Notes

Both the House and Senate have now completed action on the Tax Bill. About \$8,000 millions of new taxes have been authorised, raising total revenues for 1943 to \$25,000 millions. Appropriations and contracts authorised or pending for war or defence purposes now total more than \$222,000 millions; and the Treasury is expected to request an additional \$6,000 millions in taxes almost immediately.

The price administrator of Oklahoma (a dry state) has ruled that speakeasies must post the ceiling price of whisky like any legal establishment.

Unnaturalised Italians living in the United States, who number about 600,000, will no longer be regarded as enemy aliens, and coming changes in the naturalisation law have been announced to make possible the naturalisation of 200,000 of them over 50, who have been continuously resident in the United States since 1924, without their being required to pass the literacy test. This provision is significant because so many older Italians, living in small foreign communities, have never learned English. In 1930, there were 1,790,000 American residents born in Italy, slightly more than the number of German-born. The new provisions mean that the 600,000 who have not been naturalised will no longer have to carry special identity cards or be subject to other restrictions.

THE WORLD OVERSEAS

The Balkan Satellites—I

(By a Correspondent)

"EX ORIENTEPANIS" is the new German slogan. The promised land of the Ukraine will supply Germany with wheat, meat, and fats. But the Ukraine is still but a promise, if not a *Zukunfts-musik*. To digest it may take far longer than those who make the promise seem to realise, and it is this year's yield of grain and fats in Roumania, Hungary and Bulgaria which will to a large extent determine Germany's food prospects in the immediate future. The Balkans had two years of poor harvests in 1940 and 1941. Available reports show that the 1942 harvest has at best been only slightly better than those of the previous years. Slovakia reports roughly the same grain output as last year: 300 thousand tons of wheat and 200 thousand tons of rye; only in barley and oats has any improvement been reported. Strict rationing will enable Slovakia to cover its internal consumption, and no export surplus will be available. Hungary's harvest, according to the estimate of the Hungarian Institute of Economic Research, has been somewhat below the average. No exact figures have been published, but official statements suggest that the export surplus will come almost exclusively from the former Yugoslavian Backa region, which has been incorporated in Hungary. Hungary has, in fact, taken over this fertile Danube province as Germany's sharecropper; the whole grain surplus of the territory has by a special agreement

been assigned to Germany. Croatia has a considerable grain deficit, caused by the spread of guerrilla activities from Serbia to Croatia. In the northern provinces, outside the range of the guerrilla fighting, the peasants have been compelled to switch over from tobacco to grain production in order to meet the needs of local consumption, and it will depend on the maize harvest whether or not the country will experience famine conditions. In Roumania, only about 90 per cent of the plan for sowing has been carried out; black-soiled Southern Bessarabia was not ploughed at all. The wheat harvest is estimated to be somewhat below 2,000,000 tons, that is, considerably below the average. Nevertheless, the requirements of the home market are assured, and some maize should be available for export. There will be hardly any supplies from Bulgaria. There, the yield per hectare has dropped very considerably, and it is still doubtful whether the Bulgarian output will be enough for the needs of the home market—about 1,100,000 tons of wheat is estimated as the minimum consumption under conditions of severe rationing.

The expansion of oil seed cultivation—the most essential part of the German agricultural plan for the Balkans—has also not come up to expectations. The German plan was to make the Balkans cover the European deficit in oil seeds, a deficit amounting to two-thirds of the total consumption.

Roumania alone had to increase its area under oil seeds by no less than 300 per cent; but the actual expansion achieved during 1940-42 has amounted, according to a statement by the Roumanian Prime Minister, to not more than about 180 per cent. German disappointment with the results in the Balkans was openly voiced by the *Frankfurter Zeitung* on October 7th:—

The South-Eastern States, from which some people expected particularly abundant grain deliveries during the war, have not fulfilled such hopes by a long way.

Breadless Days

To improve the position rations have, in most cases, been reduced, and stricter regulations for grain deliveries have been imposed on the peasants. The bread rations are very small indeed, and there have even been breadless days. The Hungarian daily ration is 200 grammes (100 grammes = 3½ oz.); the Slovakian is 134 grammes; the Croatian ration for townspeople is 150 grammes; the Bucharest ration is 250 grammes; and in Bulgaria the peasant's ration was recently cut by more than 50 per cent.

A new method in exacting foodstuff deliveries from the country districts was introduced in Hungary and Bulgaria during recent weeks. Henceforward, the rates of deliveries will be fixed in proportion, not to the harvest gathered by the peasants, but to the number of acres possessed. The reform is obviously meant to counteract the passive resistance of the Balkan peasantry, which has tended to reduce agricultural labour to a level that would give no export surpluses at all. Now, under the threat of penalties, the peasants will have to observe some minimum limits to output.

The peculiar feature of the Balkan position is that Germany's satellites have been losing their economic value to Germany in proportion as they have turned into military assets. Germany approaches them with conflicting claims; they are asked to fight for their master and to feed him at the same time. But even Hitler is unable to have the Balkan cake and eat it. Apart from the ordinary wartime difficulties, such as the shortage of agricultural machinery, fertilisers, animal fodder and so on, the Balkan countries have been experiencing a shortage of labour. Roumania and Hungary have both contributed their manpower to the Russian campaign. But there has been a marked contrast between the "sacrifices" made by the Hungarian and the Roumanian satellites. Roumania has indeed suffered a heavy drain on its manpower, whereas Hungary's mobilisation has been on a much more modest scale. Roumania has so far mobilised more than a million men; its casualties are conservatively estimated at about 300,000, and the strength of the Roumanian forces on the eastern front is said still to amount to 400,000. Hungary has sent to the front not more than about 300,000 men.

Hungary's Holy Mission

This striking contrast has been due to a variety of reasons. The Hungarian ruling clique has proclaimed its holy mission to act as the "guardian of order in the Danube region"—which means keeping down the Serbs in the south and watching the Roumanians who claim the return of Transylvania. Both these tasks have, no doubt, pinned down a large part of Hungary's forces on its new frontiers. On the other hand, Hungary's trained military reserves have numerically been incomparably weaker than those of Roumania, if only because of the limitations of the Trianon Treaty, not denounced by Hungary before 1938. Another reason is that Hungary joined the Axis after it had obtained its spoils through the Vienna award, and its Government was more inclined to digest the acquisitions than to waste its resources on military adventures. Roumania, on the contrary, had to try to win the favour of the Axis and to do penance for the benefits it had derived from the Versailles Treaty. It had, therefore, to provide more cannon fodder for the Russian campaign. The Roumanian Prime Minister disclosed in a recent statement that Roumania's war expenditure during the last two years had amounted to 130,000 million lei, a sum equal to the country's total military expenditure between 1928 and 1940. The strain on Roumania has been very heavy, and the country is now confronted with an acute crisis in its finances and manpower, which can hardly be mitigated by imports of agricultural machinery, amounting in value to three milliard lei, from Germany.

Bulgaria's contribution to the anti-Bolshevik crusade has been almost negligible. It, too, has been busy digesting slices of Greek, Yugoslav and Roumanian territory won without a shot; and the mood of the Bulgarian peasantry

could hardly have encouraged any large-scale mobilisations against Russia. So far there has been little evidence of any German pressure on Bulgaria to increase its share in the "all-European fight for civilisation." Bulgaria seems to have been assigned a less ambitious job of a local character; Hitler probably prefers to see the Bulgarian forces keeping Turkey in check on the Bulgarian-Turkish frontier.

Liberia and the United States

(BY A CORRESPONDENT)

October 21st

LAST weekend, it was reported that United States troops had arrived on Liberian territory. The strategic significance of this is discussed in a Note on page 507. But the interest of the United States in Liberia is not only military. Since its acquisition by the American Colonisation Society in 1817, Liberia has always had the closest links with the United States. Originally regarded as an area for the settlement of freed United States negro slaves, the country has up to to-day received close interest and support from the United States. Although the number of "Americo-Liberians" is now less than 20,000 out of a total population of between 1,500,000 and 2,000,000, this minority forms the nucleus of Liberia's politically minded and commercially minded population, and the earliest United States negro settlements—Monrovia is a place name based on the name of the United States President Monroe—are the centre of its commercial activities. The Liberian Constitution and Government are modelled on those of the United States; its official accounts are kept in American dollars, although the private trade is largely transacted on a sterling basis; its official language is English; and its export and import trade are largely confined to the exchange of goods with the United States. Whenever the Liberian Government required financial support, it has found it in the United States, and, on the basis of one of its financial agreements, the Liberian Government has agreed to appoint only United States citizens as its financial advisers. Moreover, the head of the Liberian customs service is an American.

Agricultural Products

The Liberian climate is tropical with heavy rains during the greater part of the year, except for a short dry season from December to February. Over three-quarters of the country is covered with dense and largely undeveloped tropical forests. Apart from some handicrafts, Liberia has not so far shown any trend towards industrial development. Mining, too, has hardly been developed, although there are known deposits of copper, lead, iron, tin, gold and other metals, and, in the area bordering Sierra Leone, even diamonds have been found.

Agriculture is to-day the basis of its economic activities. At one time Liberian coffee and cocoa had substantial markets, which, however, have been lost through the competition of the larger producing countries. To-day, rubber, oil palm products and piassava fibre (the fibre of the raffia palm, used mainly for brooms and brushes) are the main export products. Of these, the first two are of considerable interest to the United States. Rubber production averages 10,000 tons per annum. Although there are big reserves of wild rubber trees, almost the whole output comes from the huge Firestone plantations. This United States tyre concern had, in 1925, leased from the Liberian Government a million acres of land in the neighbourhood of Monrovia, of which about 80,000 acres have so far been planted with rubber. The ground for further plantations, however, has been prepared, and the country is likely to benefit greatly from the Allied rubber production drive. The oil palm resources of Liberia are also extensive, but so far are only partly developed. Under the recent arrangement regarding the pooling of oils and fats between Great Britain and the United States, the acquisition of all Liberian supplies of vegetable oils and oilseeds has been assigned to the United States Government. In this respect, too, Liberia can expect new developments with United States help. As a result, Liberia's trade is likely to increase. In 1940, the last year for which data are available and the best Liberian trade year for a long time past, total exports reached \$3,242,000, against \$2,714,000 in 1939, of which shipments to the United States accounted for 90 per cent. The re-

maining 10 per cent was divided among a small number of other countries, with Great Britain, Holland, and, until the outbreak of war, Germany ranking first. Rubber accounted for nearly four-fifths of all exports by value in recent years. Liberian imports in 1940 amounted to \$2,236,000, against \$2,003,000 in 1939. Here the United States supplied two-thirds and the United Kingdom one-fifth. Imports consisted chiefly of rice and other foodstuffs, tobacco, textiles, chemicals, motor trucks, and iron containers for Liberian exports.

Besides the expansion of rubber and palm oil products, Liberia's economy may receive stimulus from the improvement of transport facilities by the United States forces. Although Liberia has 11 ports of entry on its 350 mile seacoast, so far none has any modern loading facilities. The country has, moreover, no railways and, only a very small mileage of roads for light motor traffic, and, with the exception of the internal system of the Firestone rubber plantations, no telephone or telegraph communications. It is connected by cable with Europe and the United States, but the cables run through Dakar and its four wireless stations are of low power. If, therefore, the United States landing parties are to stay in Liberia, communications must be improved. The importance of this for the country's economic future is obvious.

Irish Bank Bill Discussions

[FROM OUR DUBLIN CORRESPONDENT]

October 5th

THE debate in the Senate on the Central Bank Bill was vastly superior to that in the Dail. The Minister for Finance, introducing the Bill, stated that it was one of quite modest pretensions. It was not being claimed that the establishment of a Central Bank would cure the evils of unemployment and poverty, nor was the Bill capable by itself of grappling with the inescapable difficulties that would arise after the war. The whole question of the Central Bank must be examined in relation to the background of events since the appointment of the Banking Commission in 1934. During the four years of the Commission, Eire was involved in the economic war with Great Britain, which played havoc with Irish export trade. The Commission was, therefore, much impressed by the depletion of the country's sterling assets, and its report was largely directed towards preventing a further decline. In 1938, the year in which the report of the Commission was issued, the economic war came to an end, and in the following year the European War broke out. Since the outbreak of war, the greatest difficulty has been experienced in obtaining imports, with the result that Irish sterling balances are now accumulating. The problems of to-day are in many respects different from those which the Commission had to investigate. In periods of such rapid change and frequent crisis, calm deliberation and settled policy become well-nigh impossible.

The criticism which the Bill encountered in the Senate came from three different quarters; the Labour Party, the spokesmen of agriculture and, finally, the bankers. The Labour Party used the occasion to criticise the Government's social policy in general, and went far outside the discussion of subjects relevant to the Bill. The retention of the parity with sterling was criticised, but the grounds of the criticism were not apparent. The Minister for Finance emphasised that the link with sterling was the result of the free choice of the peoples' representatives, and could be broken any time. Any change in the existing parity would involve endless difficulties in relation to the banks' business in Northern Ireland. He indicated that no variation in parity could isolate Eire from the evil consequences of inflation in the sterling area. He further issued a warning of the dangers of internal inflation in Eire, which could not be prevented by anything the Central Bank could do if the Government's policy in relation to prices, wages and taxation were unsound. The Labour Party pressed for a policy of extensive borrowing by the Government and local authorities from the Central Bank, quoting New Zealand as a precedent. The Minister for Finance repudiated the suggestion that the function of the Central Bank was to finance public borrowing, which, he said, found ample accommodation on the part of the commercial banks and the public.

The criticism of the Bill by the agricultural interests was that it did nothing to provide credits for farmers or to reduce rates of interest. The Minister explained that the Central Bank was not designed to lend direct to the public. Farmers, he explained, never borrow at Bank rate in England or in other countries possessing central banks.

Long loans for agriculture everywhere involve fairly high rates, and rates in Ireland are lower than in most other countries. Nobody will deny that there is a problem regarding agricultural credit in Ireland. It is a problem, however, which must be investigated in relation to agricultural policy in general and not merely in relation to central banking. At the present time, Irish agricultural policy after the war is being thoroughly investigated by an expert committee, which will no doubt make recommendations regarding the issue of credit for suitable purposes. The opinion is widely held among economists and bankers in Ireland that agricultural credits should be granted in kind rather than in cash. In any event, agricultural credit is a problem connected with commercial rather than central banking.

The Bankers' View

The Bill was criticised on behalf of the banking interests by the Governor of the Bank of Ireland, who complained that some of the powers contained in the Bill were unduly extensive. He complained particularly of the powers to coerce the banks in certain circumstances to maintain minimum deposits with the Central Bank and to clear their English cheques through the Central Bank. These powers would interfere with the freedom of the banks and would tend to raise their operating costs. The Governor replied to the suggestion which had been made in the Dail that the banks can create unlimited credit out of nothing. He pointed out that the possibility of each bank's expanding credit is limited by the cash in its possession, which, in its turn, is the result of the decisions of innumerable private individuals. He also dealt with the alleged shortage of cash in the Irish banking system by explaining that there is no upward limit on the amount that can be issued by the Currency Commission. If the public demands accommodation, the Irish banks are in a position to meet such demands within very wide limits. If such additional credits necessitate the issue of more cash, the provisions of the Central Bank Bill ensure that such cash will always be readily obtained.

The Minister for Finance invited Senators to submit amendments designed to improve the Bill. In response to this invitation, the Labour Party moved an amendment to the effect that the function of the Bank should be to ensure that "currency and credit shall be issued in correct equation to the economic needs of maximum production and full employment." In the course of the debate on this nebulous proposal, the discussion ranged over a wide field, including the parity with sterling, schemes of public works financed by loans from the Central Bank and the extent to which banks create credit. The papal encyclicals and the recent pronouncements of the Archbishop of Canterbury were freely quoted. Other amendments were concerned with the composition of the board of the Bank, and with the powers of the Bank to pay interest on deposits, to make advances to the Government and to farmers and to regulate the interest rates of the commercial banks. All these amendments were either withdrawn or rejected, and the Bill has emerged from the Committee stage unaltered. When it has once more been formally passed by the Dail it will become law and the Bank will be established. The selection of the Government's five directors will be awaited with considerable interest.

Chile and the Democracies

[FROM OUR SANTIAGO CORRESPONDENT]

August 31st

As is known, Chile and Argentina were the only two South American Republics which did not break off diplomatic relations with the Axis Powers at the Rio de Janeiro Conference. At that time, Chile was still mourning the death of its President, and elections were due to take place shortly after. The country was very divided on the issue of foreign policy, as well as on domestic policy, and Axis propaganda was working overtime in an endeavour to impress upon almost defenceless Chile the dangers of breaking-off diplomatic relations; these dangers were more theoretical than real, but were sufficient to cause alarm in the strong pro-German element within the Conservative party and the Services. These agents played on the fear of the Chilean landed class of Communism or Socialism, and on the fears of the Services about the fewness of trained troops and the lack of efficient and modern weapons of war. The length

of Chile's coastline was prominently mentioned; fears were instilled into the official mind that the Navy, though efficient, was not capable of attending to this task, and that North American help could not be given owing to its commitments on the other side of the Pacific. Another clever argument put forward by Nazi agents was that no good could come from breaking off relations since practically all of Chile's trade was with North America. Minerals, such as copper, iron, manganese, nitrate and iodine, wool, etc., were all shipped to the USA, and this trade might be interrupted through naval action if a firm line were taken.

The country was not sufficiently united to carry through a different policy, and though there was no severing of relations, Chile made it clear that it would co-operate with all other western hemisphere countries. Since the declaration of war by Mexico, an old and respected friend of Chile, and particularly since Brazil's entry into the war, the temper of the country has changed rapidly, and the Government, heedful of public opinion, has declared these countries non-belligerents. Police guards have been placed on important Axis business premises after stones were thrown at the windows. The country appears to be impatient, and is fully expecting that relations will be broken

Russia at War

State Farms.—The main part in the expansion of agriculture in the eastern provinces of Russia has fallen to the Kolkhozes (collective farms), which nominally belong to the peasants. Besides the collective farms, the Sovkhozes, that is the state farms, have also been assigned an important rôle in the process of agricultural readjustment. The newly published plan for state farming has put the eastern Sovkhozes under the obligation to extend their areas under grain crops by about one and a half million acres. About one million acres is to be sown in 1943 and the rest in 1944. Obligatory minima of grain output have also been fixed, and 590,000 acres of virgin soil will be ploughed up by the state farms during this autumn. It is hoped that the state farms will be able to carry out the plan without undue difficulties, because they have recently received considerable numbers of tractors evacuated from the state farms in the southern provinces.

The managers of the state farms have been allowed to grant increases of wages to their personnel. Tractor drivers will, in addition to their money wages, receive bonuses in kind amounting to one and a half kgs. of grain for the fulfilment of a day's quota in the autumn ploughing; the administrative and the technical staff of the state farms which fulfil the plan will receive bonuses to the amount of three months' salary.

At the same time, an important reform is being carried out which will result in the breaking up of the big Siberian state farms into smaller units. These farms were large-scale enterprises specialised in the cultivation of grain, industrial plants and cattle breeding. The lowering of technical standards, as well as the tendency to make every farm self-sufficient in foodstuffs, seem to have made a deconcentration of farming unavoidable.

Cattle Breeding.—The difficulties in cattle breeding reported last winter seem to have been partly overcome during the spring and the summer. The slaughter of cattle, especially of evacuated cattle, has been stopped. The warm season has mitigated the hardships due to shortages of fodder and accommodation; and severe penalties for cattle slaughter have served as deterrents. With the approach of winter, a series of steps has now been taken to protect the heavily depleted cattle population. Minimum quotas of fodder must be stored by farms for the winter. One-third of the feeding-stuffs required for the cold season must be kept in readiness to ensure the regular feeding of cattle when bad weather, blizzards and thaws make roads impassable and the transport of fodder from central stores impossible. Monthly rations of fodder have been set for both collective and state farms; and the managers of the farms have been made responsible for observing the regulations about economy in fodder. Yet from a number of regions shortages of feeding-stuffs have been reported. Farmers have been urged to collect the straw from the fields; and special bonuses, amounting to between one-fifth and one-half of the total gathered, have been offered to them as an inducement to a rapid collection of straw.

Another difficulty is the insufficient number of sheds and

off in the very near future. This attitude became more apparent after the invitation of President Roosevelt to the Chilean President, Don Juan Antonio Rios, to visit the USA. This visit was expected to take place during October, and Congress approved his request for leave of absence. The representatives of the main parties wholeheartedly supported the request, with the exception of the Conservative party, whose representative said that the motives and necessity for the visit were not clear, and only voted in favour of it on the assumption that the visit was merely a diplomatic one, without any other understanding. The Socialist party, the second largest in the Congress, openly expressed its wish for breaking off relations with the Axis, and it is well known that a large section of the President's own party, the Radicals, is also in favour of such a decision. The ex-Minister of Finance, Don Marcial Mora, a leading Radical, has frequently spoken on public platforms in favour of the democracies.

Chile has been misjudged in its isolationist policy since the Rio de Janeiro Conference. The Government has wisely awaited the awakening of the public to the dangers of this policy and, when a decision is taken, it will have the wholehearted support of the mass of the people.

the lack of fuel to heat them. November 5th has been fixed as the latest date on which sheds built throughout the eastern regions have to be completed. *Pravda* has recently published a warning to irresponsible farm managers who fail to take the necessary protective measures in time. "It is not to be tolerated (says the paper) that cattle should perish . . . in wartime conditions, when every hundred-weight of agricultural produce is valuable."

Coal Output in October.—Reports about coal output during the first half of October have not yet recorded any very large increases. But big percentage increases in production have been reported from second-class mining centres. In the Kuznetsk Basin, only one Coal Trust is said to have fulfilled the plan, although total output has risen by about 6 per cent compared with September. The latest review of the Commissariat of Coal Industry says nothing about the position in the important Karaganda Basin. New restrictions on fuel consumption in industry and transport have been announced. The rate of fuel consumption in factories has been reduced by 10-15 per cent compared with the last quarter of 1941. The press has again sharply criticised railway staffs for causing hold-ups and delays in the delivery of coal to the most vital defence industries of the country.

Tinned Meat and Fruit.—The output of tinned meat has been doubled since July, 1941. New factories are being opened continuously in the Asiatic provinces. A big new cannery in Alma Ata produces 100,000 tins of meat a day. New meat-packing plants will soon be put into operation in Tashkent, Ashkhabad and Stalinabad; and 15 big fruit canneries are also to be opened soon.

Tobacco.—Four thousand tons of tobacco and *makhorka* have been delivered to the State from the current harvest. The harvest in the east is expected to be two and a-half times as big as last year. Fourteen new tobacco factories have been built in the east.

With the approach of the winter skiing has become a major topic in the press. "Millions must be put on skis" is the slogan. The campaign began under the auspices of the trade unions. Workers, peasants, officials, youth and even children are being trained in skiing. The programme of training includes grenade throwing and bayonet fighting on skis. As all the ski factories are working exclusively for the Army, civilians have been urged to provide themselves with home-made skis.

Jewish farmers from Bir-Bidjan, the autonomous Jewish region on the Amur, have won a first prize in an all-Union contest in ploughing. Bir-Bidjan has absorbed many Jewish families evacuated from the Ukraine and White Russia. The children of Bir-Bidjan have sown three thousand acres of land with tobacco and they have made the harvest a gift to wounded soldiers.

THE BUSINESS WORLD

The BIS Report

THE sections of the annual reports of the Bank for International Settlements dealing with economic conditions in general have always tended to attract more attention than those more specifically concerned with the activities of the bank. This is not merely a compliment to the distinguished economist whose task it has been to prepare these reports. It is rather a reflection of the ambitious aims for which the BIS was established and of the wide margin by which its actual achievements have—through little fault of its own—failed to reach those ideals. One of the bank's immediate and primary concerns, the practical task of collecting and distributing reparation payments, was abruptly terminated within two years of its formation in 1930. Between the moratoria of the Hoover Plan and the outbreak of the war in 1939, the BIS went some little way towards achieving its wider objectives of promoting co-operation among central banks and providing additional facilities for international financial operations. But the progress was small in relation to the enormous task that had to be tackled—though in certain technical spheres, such as the provision of international gold clearing facilities, some valuable work was done. All this work was stopped on the outbreak of war in September, 1939. Since then, the BIS has been in a state of suspended animation. There has been no contact between the directors separated by the barrier of war, and the task of keeping the bank "ticking over" has become the sole responsibility of the President. It is hardly surprising, therefore, if the twelfth annual report issued in Basle last August should have been scanned, much more even than its predecessors, with far greater interest for its comments on the international economic situation than for those on the bank's own activities.

Among these general comments two merit special attention. One deals with the need for enlarging the unit of international economic organisation; the other discusses the problem of interest rates. On the first, the President of the BIS, under whose sole authority the report was issued, speaks as follows:

A great war has a double aspect: on the one hand, a severance of relations with the enemy and, on the other, a closer association among countries on the same side of the barrier. Thus, contrasting with the element of isolation, an active element of collaboration is present. In planning for the future, this element of collaboration is regarded as essential by all parties, not least in the field of economic and monetary relationships. . . . But a difference in conception exists whether collaboration should in the first place be worked out in separate politically defined areas, with arrangements for trade between these areas as larger entities. . . . The conception that better economic collaboration is a necessity in the modern world, so often stressed in official declarations, has unmistakably taken root in the minds of a wider public, in spite of the nationalism engendered by the war. This same public is certainly aware that difficulties beset the creation of a system based on collaboration, but it feels instinctively that a way can and must be found to establish effective co-operation without impairing the vital interests of individual countries. . . . Experience has proved that the policy, only too often adopted before this war, of protecting the immediate interests of a particular economy by creating hindrances to trade, leads to such disturbances in the world generally that even the country applying the policy fails to attain the ends envisaged.

It is not easy to find in this passage the applause of Germany's ideas of *Grossraumwirtschaft* which some critics of the BIS in this country have detected. The need for widening the unit of international collaboration is common ground among men of good sense and good will. All that the report says, without any show of preference, is that the process can either proceed on a world basis or by the formation of large politically defined areas—an important truism, taken gratuitously by the critic to refer to Germany's European *Grossraum*, but actually applicable much more

to such entities as the British Empire or the sterling area. Indeed, the reference in the report to the need to achieve this co-operation "without impairing the vital interests of individual countries" can at least as well be read as an implied criticism of the Nazi New Order.

On the problem of interest rates the report declares that:

At a time when public debts are piling up to unprecedented heights, it is naturally in the interests of each nation that money should continue to be cheap. . . . But, notwithstanding the obvious fiscal interest of the state, there has been some reaction recently against too low interest rates, partly because it is believed that savings may thereby be discouraged and partly on account of the adverse influence on life assurance companies and social funds and, through the narrowing of interest margins, on the banking system. . . . With regard to the future, both the British Chancellor of the Exchequer and the President of the German Reichsbank have said that cheap money will continue to be the official policy when the war is over. But it is obvious that, with the great demand for capital which may be expected when that time comes . . . conditions may arise which will make the uninterrupted reign of cheap money more difficult to maintain. Special steps may have to be taken to ensure a large volume of savings even after the war—which means, *inter alia*, that for some time the public must not expect to be able to use for its immediate needs the purchasing power piled up during the war.

Some commentators have discerned in these seemingly innocuous remarks the cloven hoof of the "hard money school." It is difficult to follow their argument that the BIS, on this evidence, stands for a return to dear money. The slight reaction from abnormally low rates is a question of fact for which the report quotes sufficient evidence. As for the question of interest rates in the post-war capital famine, it is one which will have to be decided upon in the light of the then prevailing economic system. If Governments continue to restrict consumption, to control the movements and investments of capital and to ordain rigorous priorities for the uses of material and labour, the interest rate may remain unaffected by the enormous demand for capital that will be let loose upon the world. But if the sphere of economic freedom is allowed to widen again, the task of keeping interest rates where they stand in the mobilised economies of to-day must inevitably be difficult. In stating this, the BIS report is not polemical; it states what is obvious.

The fact is that the full text of the BIS report substantiates none of the charges of prejudice and bias which have been levelled against it. Admittedly, the clamour which has recently been raised in favour of severing the British connection with the BIS rests on the contention that the Axis Powers are now in full control of the bank. But, in so far as this charge is based on a count of the shares issued to enemy and enemy occupied countries, it shows abysmal ignorance of the bank's constitution. The shareholders have no rights of control. Limited powers of control are vested in the directors, most of whom are appointed *ex officio*. But the board has not met since the outbreak of the war, and for the routine purposes of approving the accounts and electing auditors the necessary proxies have been sent to the president of the bank. In any case, the representation of the countries now in enemy occupation has not been settled; no attempt has been made to enlist the voting power vested in these countries on the side of either of the belligerents. Such power as is exercised in the determination of policy is vested in the person of the American president, Mr Thomas McKittrick, and there is no vestige of evidence to suggest that that power has been wielded to the disfavour of the Allies. If the critics had their way and this country severed its connection with the BIS—a move which, incidentally, would involve a unilateral breach of several international agree-

ments—all that would have been achieved would be to place at the undisputed disposal of the enemy the substantial interests which this country and friendly Powers still have in the BIS. The field would be open for complete Axis control. This might be followed by such steps as the repudiation of debts to Allied central banks, the cancellation of the

amounts owing to Allied Treasuries under the annuity Fund and the acquisition of such assets (gold, cash and bills) as may be deposited in Switzerland. The clamour which has arisen on this question is as irresponsible as it is ill-informed. It can best be summed up in the phrase, "*Ces Messieurs ont perdu une belle occasion de se taire.*"

Finance and Banking

Fewer Bills for Market

The discount market has not yet felt the benefit of the larger weekly offerings of Treasury bills. At last week's tender for the £85 millions of bills on offer total applications jumped by over £16 millions to £181,230,000, a figure only exceeded on one previous occasion. The discount market applied for the bills at the customary figure of £99 14s. 11d., and on this basis obtained a 27 per cent allotment. Assuming that the syndicate applied for the whole of the bills on offer, it would have received about £23 millions of bills. By way of comparison it may be noted that in the last three months of the £75 millions weekly offerings, the market appears to have obtained on the average £28 millions of Treasury bills each week. In consequence, the market has not been an over keen seller of bills to the banks this week. They, on their part, have been good buyers despite the fact that the October making up has begun to make its effect felt. The prevailing abundance of money has probably induced the private "outside" applicants for Treasury bills to increase their tenders, though a jump in applications such as that recorded last week probably reflects some increased demand by official quarters. The banks were called upon to pay £50 millions in TDRs this week, a figure which compares with nominal maturities of £40 millions, but with effective maturities appreciably smaller than this figure owing to recent heavy encashments against subscriptions to National War Bonds and tax reserve certificates. The Bank return reflects the monetary ease, the total of bankers' deposits having risen over the week to last Wednesday by £3,426,000 to £138,732,000. Government securities have risen by an almost equal amount, namely by £3,445,000 to £158,222,000. The note circulation continues its rise, though the curve is temporarily flattening, the week's increase amounting to £764,000. This, as a factor on the volume of bank cash, has been rather more than neutralised by the reduction of £910,000 in public deposits.

The Slump in Bills of Exchange

The annual reports of the Commissioners of Inland Revenue have become one of the statistical casualties of this war. Among the interesting information thus lost is the detailed classification of receipts from stamp duties which provided the required data for calculating the number of cheques issued and the volume of bills of exchange outstanding year by year. Fortunately, that gap in statistical data has been made good by the curiosity of a Member of Parliament who has obtained the required information by questions put in the House of Commons to the Chancellor of the Exchequer. The information relates to the net receipts from the stamp duty on bills of exchange and promissory notes, on cheques and (by deduction from the global figures given in the Finance Accounts) on bankers' bills and notes. The figures for each of the last five financial years are as follows:—

NET RECEIPTS FROM STAMP DUTIES
(In £000's)

Year	Cheques	Bills of Exchange and Prom. Notes	Bankers' Bills and Notes
1937-38	4,061	594	96
1938-39	3,914	518	98
1939-40	3,910	417	103
1940-41	3,242	214	120
1941-42	4,193	149	141

The most striking movement revealed by the above table is the collapse in the revenue obtained from the stamp duty on bills of exchange. It is possible from these figures to get an estimate of the fall in the volume of commercial paper outstanding. Since the duty on bills is 1s. per cent, and if it

is assumed that the average currency of bills is three months, it will be seen that, whereas the total of commercial paper outstanding over the financial year 1937-38 was £297 millions, it had fallen to £107 millions in the first full year of war, and to £74,500,000 in the year which ended last March. This series of figures gives exact definition to a trend of which the banks and the discount market had been thoroughly aware. The foreign bill has largely disappeared from market circulation, and though some acceptance houses have switched their activities to the field of domestic finance, and have been able to grant acceptance credits to war industries, the ease with which overdraft facilities can now be obtained from the banks, and the cut rates at which such business is transacted, have greatly handicapped this adaptation of acceptance business. Thus the volume of bills (other than Treasury bills which, of course, bear no stamp) being drawn recently has been about one-quarter of the figure which obtained just before the war. That, in its turn, was about half the figure which obtained in 1930-31 before the collapse of the international acceptance business with Central Europe.

Fluctuations in Cheques

The fluctuations in receipts from stamps on cheques appear at first sight difficult to explain. Thus, the fall in these receipts from £3,910,000 (indicating 469,200,000 cheques) in 1939-40 to £3,242,000 (indicating 389,040,000 cheques) in 1940-41, and the subsequent sharp recovery in 1941-42 do not correspond to any other evidence bearing on the circulation of credit. A possible explanation may be provided by the juxtaposition of two facts: (1) that 1940-41 was a year of heavy air raids; (2) that cheques are highly inflammable. The number of cheques issued does not, according to these figures, appear to have kept pace with the growth of bank deposits, or with the increased turnover at the Clearing Houses. This suggests that the average amount for which cheques are being drawn has increased appreciably. This may be due to the growing practice of effecting small regular payments by standing bankers' orders. Another explanation is provided by the extent to which the credit circulation is now swollen by Paymaster-General warrants and other payments by Government agencies which do not bear stamp duty. The receipts from stamp duties on bankers' bills and notes are almost wholly derived from the Scottish bank note circulation. The steady increase in the yield of this source of revenue is a true reflection of the expansion in the issue of these notes.

Rupee Melting Point

The rise in the Bombay price of silver has been resumed, and has carried the quotation to Rs. 107 per 100 tolas. This is within two rupees of the point at which it would be profitable to melt rupee coin of the former eleven-twelfths fineness, and the position is thus becoming most interesting. Owing to the foresight of the authorities in beginning some time ago the recoinage of 500/1,000 fineness, fortunately no graver adjective than "interesting" need be applied to the situation. During the last war, it was precisely this phenomenon of an increased price of silver which forced the rupee to appreciate well beyond its nominal sterling parity. A good many of the 11/12ths coins which have recently been withdrawn from circulation have gone into private hoards, and as the price of silver reaches melting point, it may be expected that some of these coins will emerge from their hoards. But there will be nothing automatic about this process, since the bullion value of these coins will naturally rise with the price of silver, and the fact that they will cease to be legal tender during 1943 will be no deterrent to their being hoarded. It has been questioned whether the Indian Government

should not re-enter the silver market in India to prevent the price from climbing beyond the melting point for the old coins. It is unlikely that this will happen. In any case, it would hardly be politic for the Indian Government to sell silver in Bombay at 109 rupees, and to continue to sell in London at 23½d., which is about half the sterling equivalent of this rupee price. The position in the Indian market must be allowed to adjust itself; the main psychological brake on the speculative rise is the possibility that from one day to another the Government may re-enter the market as a seller at its former "ceiling" price of Rs. 62 annas 4 per 100 tolas. This fear is, however, losing its force as a deterrent to speculation, for the longer such a move is postponed, the less likely it is to be made.

* * *

The Franc in Tangiers

When financial freedom exists in so small an enclave as the territory of Tangiers, and is surrounded, as it is there, by the massive and mostly conflicting exchange controls of Spain, France and the various belligerents, that freedom can easily degenerate into anarchy and chaos. The latest news from Tangiers appears to indicate that this has in effect happened. Although Spain has, for all practical purposes, seized the territory of the former international administration, the remonstrances from the United Kingdom

and France have at least extracted assurances from Madrid that the special economic and financial régime of the territory would remain undisturbed. This means, among other things, that the Moroccan franc, which is equivalent to the Vichy franc, is still the basic currency. The peseta has, however, been made the currency for a large and increasing number of transactions. All purchases of goods imported from Spain must be paid for in pesetas, and this, in present circumstances, means that the greater part of the trade in foodstuffs is financed in that currency. There is no exchange control in Tangiers, and the two currencies which circulate freely within the territory are thus liable to fluctuate violently. Owing to the severity of the exchange control in Spain, there has been an increasing shortage of pesetas in Tangiers, and the rate of exchange between pesetas and francs has thus been moving persistently against the latter. The normal parity was 4.50 francs to the peseta, but recently the rate has moved to 8.50 francs, and the cost of living, in terms of francs, has been leaping up. There is a local market in sterling in which the peseta rate has, within the last three months, moved from 78 to 58 pesetas to the £. The franc has for some time been quoted at 550 to the £—an interesting indication of the relation which may ultimately be fixed for the sterling rate of the Vichy franc. This exchange instability, and the absence of any price control in the territory, have produced a measure of chaos and dislocation which should be the very antithesis of economic freedom.

Investment

A Temporary Peak

There have been signs for the past week or more that the rise in equities was, in stock market parlance, "bumping on the ceiling." There have been numerous recessions, relieved by a continuous and very marked rise in home railway equities, and in particular in Transport "C" stock. Whatever one may think of the future of the main lines, there is a case for supposing that the volume of traffic in greater London must recover after the war. This should bring some expansion in distributable profits, and to that extent the "C" stock is in a different category from the other securities of this market. But for this section it is probable that the usual indices would show a decline, and in home rails there are said to be sellers waiting for the first sign that the buying is nearing exhaustion. If equities in general fall back, it seems improbable that it will be more than temporary, and it is a fact that the number of bargains received is well above recent averages. This is putting considerable pressure on the reduced staffs of brokers' offices, and the decision of the Bank of England to vary its demands with regard to some of the many forms attending transfer is particularly welcome. The principal effect is that, from now on, a simple declaration that neither buyer nor seller is a non-resident, or acting for one, will end all formalities in registered securities. It is a further advantage that this declaration need no longer be signed by the buyer or seller himself, but only by his agent. The other changes effect a saving of paper as much as of labour, and it remains a mystery why some of them have not been instituted earlier. This applies also to the decision to print the substitute for the old "D" Form on the back of transfers, as was done in the last war. Whether the saving in labour will more than offset the effects of the recent expansion in business is doubtful, and the Kennet report, which is discussed on page 509, has been awaited with some impatience.

* * *

Supplementary Savings Certificates

Sir Kingsley Wood took the opportunity, when introducing the latest Vote of Credit, to announce the Treasury decision on the matter of the extension of the maximum holding of National Savings Certificates. He disclosed that some 5 per cent of the total number of holders had already reached the limit of 500 certificates, or £375 cash if the holding were all in the current, seventh series. The number is some 750,000 in all, of whom 40 per cent took the whole in one block. Of the remainder a considerable proportion must be small men, so that there is some case for extending the limit. Faced with the enigma that, if he

fixed the tax-free rate on the new issue high, he would lose a considerable amount of tax, whereas if it were too low he might discourage further saving, he has made a drastic cut in the rate. The new certificates, to be issued some time in January, cost 20s. and accumulate to 23s. in ten years. The corresponding figure for the existing issue would be 27s. 4d. The rates of interest are given as £1 8s. 2d. on the new against £3 3s. 5d. on the old. Evidently the new will only compete with more marketable Government securities in the case of those paying a considerable rate of surtax. If the small man takes them it will be because they are convenient and familiar. If he pays tax only at 6s. 6d. in the pound he can obtain £1 13s. 9d. net per cent on savings bank deposits, and in his own interest he should do so. Thus the Treasury has made little real concession. It will benefit if, through the fact that the savings groups tend to concentrate upon subscriptions to Savings Certificates, the man with a taxable income of £140 or less takes the new certificates instead of deposits. For the man in the lower income brackets, who pays some tax at 10s., as for the surtax payer in the upper brackets, the new certificates may be attractive, although the yield on 3 per cent Defence Bonds is higher.

* * *

Reform of Accounts

In the issue of last Saturday *The Accountant*, the recognised organ of the chartered accountants, paid *The Economist* the compliment of reproducing in full the article "Accountants and Accounts," with editorial criticism. One general and two special points seem to call for comment. Virtually nothing is said about the original suggestion of *The Economist* for a conference of auditors and directors, and a good deal is made of the ill-effects of the alternative—advanced only as a last resort—of making audit a matter of state responsibility. The first special point concerns the creation of the Taxation and Financial Relations Committee of the Institute. It is true that this committee has been formed to remedy some of the ills complained of. It is, however, so new that it is difficult to say what it may achieve, although its composition is encouraging. It is, however, purely advisory, and it is permissible to doubt whether it is capable, in its present form at least, of acting with the speed which may well prove necessary. It has been the object of *The Economist's* articles to point out the need for a radical change in outlook. The second point concerns extra-legal pressure. Having agreed that this is the best means to the end, *The Accountant* suggests that it should be exerted, not by the auditor, but by the Committee of the Stock Exchange. Ignoring the statements in the article "American Accounts" in *The Economist* of

August 8th, *The Accountant* imputes the effects of the SEC Acts of 1933 and 1934 to the New York Stock Exchange, and states that, although such extra-legal force has hardly been tried here, the London body did achieve the publication of consolidated accounts "in the case of applicants for new quotations by a stroke of the pen." The italics are ours; and there's the rub. The London Committee cannot—at least, until public opinion is converted to the need for publicity rather than public ownership—make its edicts retroactive for all the thousands of companies in whose shares it deals. Nor could it evolve, without full and lengthy consultation with auditors, accountants and industrial managements, forms of accounts suited to each of these numerous enterprises. *The Economist* would like to see the Committee in London move faster than it has; but the Committee cannot perform this task alone. Men of good will in the other groups concerned must play their part.

* * *

Control by Inspection

As a footnote to a series of articles on the reform of accounts and the need of a new outlook by both directors and auditors, of which the latest appeared in *The Economist* of September 26th, a word must be said about the accounts of monopolies. Most monopolies, recognised as such, are still those inherited from the nineteenth century. They are for the most part public utilities dependent on wayleaves. It has been sought to control these by the expedient of linking higher dividends with lower prices to the consumer. But this expedient has fallen short of complete success, because it takes insufficient account of technical progress. Having secured a basis which permits the payment of a dividend which may be as modest as 4 per cent on its equity capital, with a reasonable margin to spare, the company can rest on its laurels. The average broker will recommend the shares as a gilt edged equity; they will stand correspondingly high, and the directors will take credit each year for maintaining a steady rate of distribution. To secure the effect originally intended, a continuous review of conditions would be necessary. Further, the institution of holding companies permits discriminations which may be undesirable. It seems evident that, wherever monopoly conditions exist, whether of the old type or brought into being by recent changes in the legal framework, full inspection of accounts is essential—inspection, that is, of the full accounts of every operating concern—and the accounts must be such as to reveal all valuable information. A permanent committee should be created for this purpose, with provision for fairly frequent changes in personnel. Its reports should be published in such form, and at such intervals, as would permit really informed criticism of the performance of individual bodies. The report would at least disclose all the main items of costs. A comparison of the figures for individual concerns, *inter se*, and with those from outside sources, ought to provide a sufficient indication whether advantage is being taken of technical progress, and how far, if at all, the concerns in question were contributing to it. The inspection should apply to all monopolies, whether of the old or of the newer and, in many respects, much more insidious types, and the system of inspection and report should be complementary to, and not in substitution for, the presentation of informative accounts to shareholders, in those cases where private ownership exists. The fact that a monopoly is controlled or created by the state should not exempt it from the inspection of this independent body.

* * *

Great Boulder Once More

The latest development in the affair of Great Boulder Proprietary, now in voluntary liquidation, is the issue of a further circular by the Shareholders' Resumption Group, whose *raison d'être* is to have control of the company returned to the shareholders. The circular makes it evident that the Shareholders' Committee has not thought it worth while to co-operate with the Group, but that Mr Claude de Bernales, chairman of the company, is prepared to do so. The last-named has consented to the publication of two letters written to the liquidator, but the latter will not permit publication of his letters. The only useful information to be gleaned from the published letters is that in August the liquidator was attempting to secure general agreement to certain changes in the Articles of Association, and to the appointment of a new board with an irrevocable

life of five years. Mr de Bernales was prepared to accept a new board, provided he liked it, but he was not prepared to accept its appointment for five years. It is possible to imagine circumstances in which such an appointment might be desirable, but it is scarcely worth while to discuss the proposal *in vacuo*, especially as there is no certainty that it still holds the field. The circular goes on to point to the poor price likely to be realised in the event of liquidation, and draws attention to the formation of a corresponding group in Australia. This group apparently wishes to take control away from the liquidator, and it is the intention of the London group to make an application to the Court in that sense unless the liquidator accedes to its appeals. It is to be hoped that, after raising the expectation of independent shareholders by his statement of a month ago, the new liquidator will not be forced to admit that his estimate of the position was over optimistic and that no solution is to hand. But it would be an even greater pity if the independent shareholders, after waiting so long, were to abandon the position they have taken up. The whole question of whether a board should remain in control when a large section of independent shareholders no longer feel confidence in them needs re-examination. But in this particular case, despite the very full reports of Sir William McLintock on the company and its affiliates, the whole position is still far from clear. Further developments will be awaited with particular interest.

Company Notes

Wall Paper Manufacturers' Preliminary

The preliminary statement of the Wall Paper Manufacturers reveals that profits for the year ended July 31st last have risen, after tax and war damage provision, from £377,292 to £489,073. This latest figure is only slightly lower than the earnings in the opening eleven months of the war, and suggests that, since last year's setback, the company has been able to adapt itself more completely to the new

Three Point Programme of

THE FREE TRADE LEGION—THE REALIST LIBERAL LEAGUE

Though the existing political parties adhere to a truce between themselves there is abundant evidence to show that the public mind does not stand still.

On the one hand there is a reviving recognition of the value and importance of old and proved principles. On the other there is a tendency towards unwise experiments unsuited to the economy on which our population was built up.

Accordingly the Free Trade Legion has decided that it is vital for the national stability that public education on economic and political problems should be carried on and that the alternative opinion which it represents should be more widely known.

The programme of the Free Trade Legion comes under three heads:—

1. Internal freedom of trade with a return to the control of bureaucracy by Parliament.
2. A return to reliable money.
3. A declaration of Britain's intention to return to Free Trade regardless of the policies of other Nations.

These three points cut across the interests of many sections of the community. Despite that fact, their importance for the salvation of the Nation is regarded as being so great and so urgent that all personal or sectional interests must be set aside.

The Realist Liberal League urges all men of good will to send for its leaflets amplifying the three points and to help to spread the gospel. Business men everywhere are the leaders of public opinion. It is their duty to inform themselves on these vital problems, which affect not only their business but the children of the Nation. Send for information to:—

Hon. Secretary,
Free Trade Legion, The Realist Liberal League,
38, Bedford Street, W.C.2.

conditions. If this is so, it is not improbable that the company can look forward to relative stability of earnings for the duration, but to the extent that depletion of stocks is the explanation, the reverse is the case. Interest and dividend payments on the preference and ordinary shares are on a gross basis and unchanged from previous years at £285,610. Earnings on the deferred stock, which again receives 4 per cent, to which level it was reduced last year from an actual 5½ for the broken period, total £193,463 against the extremely narrow margin of £91,682 a year ago, providing cover of 13.2 against 4.1 per cent. The company is thus able to place £100,000 to a reserve for rehabilitation against nil last year, although a similar amount was put to general reserve in 1940. The transfer of £10,000 to employees' pension fund is resumed after last year's interruption, and the carry forward slightly increased to £225,777. It is hardly likely that receipts from wallpaper sales have much exceeded those of last year, when the shortage of materials was stressed, but probably demand from domestic consumers has been transferred to other products such as distemper and paint, while Government orders have doubtless kept the group well occupied. It is improbable, however, that these results have been achieved without a further substantial liquidation of stocks, which in the case of wallpaper cannot be replaced. It will be interesting to learn how far exports have been maintained in view of the current shipping position. The price of the deferred units at 29s. 6d., yielding only £2 14s. 11d., reflects the market's confidence in the company's ability to maintain these results, and above all in its extremely favourable post-war prospects.

Bristol Aeroplane Results

The latest accounts of the Bristol Aeroplane Company bear testimony to the current activity of the aircraft industry. Net profit for the year ended December 31st last, struck after providing undisclosed depreciation and EPT charges, has risen from £766,537 to £985,579. Since EPT was charged at the full 100 per cent and the company has, according to the chairman, Mr Verdon Smith, been working on still lower profit margins, these figures fail to reflect the expansion in turnover. Taxation, however, requires £580,000 against £355,000, but interest, fees and preference dividends are only slightly changed at some £135,000. The dividend is maintained at 10 per cent, but the cover is slightly higher at 16.4 against 15.9 per cent, and after again allocating £100,000 to general reserve, the carry forward is increased almost £5,000 to £19,141. The course of profits and their distribution is shown in the following table:—

	Years to December 31,		
	1939	1940	1941
Total income after depreciation*	989,992	766,537	985,579
Taxation	635,000	355,000	580,000
Interest and fees	35,017	115,843	120,710
Preference divs.	19,500	17,250	15,000
Ordinary shares:—			
Earned	300,475	278,444	269,869
Paid	199,650	174,900	165,000
Earned %	15.1	15.9	16.4
Paid %	10	10	10
General Reserve	100,000	100,000	100,000
Carry forward	10,727	14,272	19,141

* After EPT in 1940 and 1941.

The chairman explains that some of the largest balance-sheet changes are due to technical considerations. The jump of some £877,000 in debtors to £4,763,502 arises from the delay in settling contract prices with the Ministry of Aircraft Production. Agreement has since been reached. Similarly a fall in stock is due to changes in the method of recovering progress payments. Additional tax provisions are largely responsible for an increase of some £580,000 in creditors, etc., at £6,143,397, but the bank overdraft at £2,692,585 is little altered. The liquid position of the company has improved, assets exceeding liabilities by some £2,080,000 against £1,852,226 a year ago, a fact which will assist the company to adapt itself more easily to post-war conditions, to which the chairman looks forward with confidence. The 10s. shares at 14s. 1½d. yield £7 4s. 2d., which is rather lower than the average for the industry.

Cannock Associated Earnings

Despite the difficulties of the past year, the accounts of Cannock Associated Collieries for the twelvemonth ended June 30th show virtually no change. In March, the board

must have felt some uncertainty about the outlook, for the interim dividend was passed, but early this month a final of 8½ per cent was declared, which was the same as the total in each of the two preceding years. The concern is a holding company, and the absence of any consolidated profit and loss account makes comment on the performance impossible; but the amount earned on the ordinary capital, which just before the war had risen to 14.5 per cent, is now back to 11.3, the figure for 1936-37, the first year of the new group's life. As was the case in each of the two preceding years, £20,000 is added to general reserve, while there is a small increase in carry forward. The consolidated balance-sheet shows that depreciation has been provided for the year at 10 per cent on waggons, and at rather under 2 per cent on collieries and other properties. New additions are small, and total fixed assets have dropped from £1,504,847 to £1,477,152. Total liquid assets are up from £1,734,787 to £1,809,538, while the net figure has increased from £1,328,098 to £1,389,490. Stocks are moderately lower, while all other items are up, except that cash is down from £303,984 to £291,087, and there is a new holding of £60,000 in tax reserve certificates. The balance-sheet is rather more informative than many, but the lack of a consolidated profit and loss account is a great weakness. The company's collieries are spread from Staffordshire to Yorkshire, and it is perhaps better placed than some of the small concerns to retain its business in face of the radical adjustments of production which are desirable. The £1 ordinary at 22s. ex dividend yield £7 14s. 6d. per cent.

Covent Garden Properties

Total net revenue of *Covent Garden Properties* in the year ended June 30th last is further reduced from £237,495 to £220,743. This result compares with a fall of nearly £60,000 last year, and a total drop of some £110,000 from the earnings of the last pre-war year. The decline is again attributed to the reduction in market receipts, which were £61,000 below 1939, but the chairman, Mr Philip Hill, announces a slight improvement in net income from the company's other properties to a level only 8 per cent lower than the 1939 figure. This result, however, arises in the main from London's immunity from bombing, and maintenance of these results must be considered with due regard for this factor. Nevertheless, the company is again compelled to pass the cumulative preference and preferred dividends, which are now two years in arrears. Taxation is only some £3,000 lower at £128,386, and after meeting debenture interest and fees the amount available for dividends is £14,890, against £24,300. The balance-sheet reveals that the liability for War Damage contributions is £5,000 higher at £130,000, of which the chairman states £50,000 has been paid. The situation in respect of loans on mortgage made by the company, which stand at £202,051 after deduction of £100,000 special reserve, remains unaltered, repayments of capital and interest charges having in some cases not been met. In view of the conditions prevailing, the chairman is not prepared to state whether or not this reserve will prove adequate. The improvement in investment values has raised the market value of the company's investments nearly £40,000 to £166,806, against a balance-sheet valuation of £367,659. Both debtors and creditors are slightly higher, but cash, other than that held by the debenture stock trustees, is slightly lower. In common with all property companies, earnings are, for the duration, determined by the severity and extent of bombing, but provided the capital assets of the company do not suffer, there is some reason to suppose that the arrears of dividends may be cleared fairly quickly with the return of peace. The £1 cumulative preferred shares stand at 12s. 6d., the £1 ordinary at 9s.

Gestetner Stability

Despite the difficulties of the times, the latest accounts of D. Gestetner to August 31st last reveal that the company's earning capacity is little impaired. Profits after EPT are slightly lower at £221,778, against £229,621, but after reducing the depreciation allocation from £17,593 to £14,231, and the provision for tax reserve by £35,000 to only £45,000, earnings for the equity total £133,391 compared with £104,010. This represents an improvement in the cover for the dividend, maintained at 25 per cent by a final payment of 12½ per cent, from only 26.6 to 41.1 per cent. The sharp reduction in tax provision permits, for the

first time since 1937, a transfer of £30,000 to reserve—on this occasion to contingencies—the carry forward being raised some £2,500 to £39,790. The continued shortage of office equipment appears to be due to increased demand, rather than shortage of supply, for the chairman, Mr S. Gestetner, states that sales have been well maintained, and the works have been operating at full capacity. The balance-sheet position is sound, while changes during the past year are slight. A reduction of cash and trustee securities from £221,152 and £171,310 to £178,489 and £105,214 respectively, is more than counterbalanced by a new holding of £200,000 of tax reserve certificates, but sinking fund policies are some £50,000 lower at £104,125. While the subsidiaries' indebtedness to the parent has fallen some £30,000 to £110,945, other debtors and loans are almost £50,000 higher at £175,556. Investments in subsidiary companies have dropped from £20,292 to £8,154, the Far Eastern subsidiary having been written off over recent years. Stock, however, is some £20,000 higher at £183,587. On the basis of recent results and the future prospects of the company, the present valuation of the 5s. ordinary share at 26s., to yield £4 17s. 5d. per cent, is distinctly reasonable.

United Dairies Earnings

In the absence of consolidated profit and loss and balance sheet figures, the accounts of *United Dairies* for the year ended June 30th last are valueless as an index of earning power, since profits have again been brought in only to the extent necessary to cover the dividend. Actual trading profits were, according to the chairman, Mr J. H. Maggs, higher than last year, in which, however, provision was made for practically the whole liability under Part I of the War Damage Act. Total disclosed profits are £528,383 against £522,838. Disclosed earnings on the equity after meeting interest and preference dividends afford a cover of 13.0 against 12.6 per cent for the payment of 12.5 per cent, which has been maintained over the past decade, the surplus of £6,186 raising the carry forward to £177,673. The most important feature of the balance sheet is the considerable improvement in the company's liquid position, net liquid assets having risen from £87,036 to £769,649, owing mainly to the repayment of loans made to

subsidiaries. The greater part of this is placed in a new holding of £500,917 of tax reserve certificates and an increase in gilt-edged stocks of over £70,000 to £599,423. Cash is nearly £60,000 higher at £309,869, while there is an almost equal reduction of creditors to £562,694. Freehold and leasehold properties stand some £80,000 lower at £2,643,490. The repayment of loans reflects, presumably, reduction of stocks. The experience of the group under rationing suggests that there is no reason to expect any marked change in the near future. The £1 shares at 56s. cum dividend offer a sound yield of £4 10s. 5d.

Coast Line Assets

The full accounts of *Coast Lines* for 1941 may disappoint some hopes raised by the resumption of ordinary dividends, with a payment of 2½ per cent, announced early this month. The earnings of the group, after all appropriations, other than directors' fees and taxes, amount to £338,771 against £300,034. Tax is, however, up from £63,500 to £101,500, so that the net amount available is virtually unchanged. Profits from earlier years have been brought in to the extent of £55,010 against £25,867, but profits on sale of assets are only £2,902 compared with £21,987. Most of these adjustments arise out of delays in settling normal trading matters. The dividend, which absorbs £50,000 gross, is made possible by placing only that sum, instead of twice as much, to tonnage replacement, after which there is a small draft on the carry forward. Fixed assets show a modest decline, to which it is impossible to give an exact significance in the absence of any depreciation figures. The really important changes in the balance sheet are a rise from £169,871 to £1,035,854 in the net amounts due to subsidiaries, and the repayment of sums, aggregating £382,779, mainly to bankers, in connection with new tonnage and other matters. Excluding all these items, the balance of liquid assets over current liabilities is up on the year from £382,564 to £1,081,452. Evidently this represents a transfer of liquid funds from the subsidiaries to the parent, but the absence of a consolidated balance sheet makes it impossible to say why this happened, or how the assets have arisen. As its name implies, the group concentrates on coastwise and short sea transport. The £1 ordinary shares standing at 13s. 6d. ex dividend yield some £3 14s. per cent.

Industry and Trade

Below the Target

The three years' blackout of the statistics of coal production, which did a good deal more harm than good, was lifted this week when the Ministry of Fuel and Power announced that the weekly average output of saleable coal during the four weeks ended October 3rd amounted to 4,076,100 tons. The figure is encouraging; it reveals an increase of 155,100 tons over the average weekly output during four weeks in June and July, and suggests that the downward trend in production has been stopped. But it is, nevertheless, disappointing; output last month was still well below the national target of 4,173,000 a week, set by the Greene Board. Production has, admittedly, been affected

PERCENTAGE* OF DISTRICT TARGETS REACHED DURING FOUR WEEKS ENDED OCTOBER 3RD

	%		%
Northumberland	99.7	S. Staffordshire and Worcester-shire	95.4
Cumberland	90.7	Warwickshire	100.6
Durham	99.0	S. Wales and Monmouthshire	97.8
South Yorkshire	97.2	Bristol and Monmouthshire	100.1
West Yorkshire	97.0	Bristol	97.5
North Derbyshire	101.8	Somerset	99.6
South Derbyshire	103.1	Fife and Clackmannan	99.5
Lancashire	102.5	Lothians	99.7
Lancashire and Cheshire	98.8	Lanarkshire	96.4
North Wales	97.5	Ayrshire	94.5
North Staffordshire	96.6	Kent	
Cannock Chase	105.4		
Shropshire			

* Percentages based on output, adjusted for tonnage lost through holidays and circumstances beyond the industry's control.

by holidays in certain districts, and for that reason a further improvement may be recorded this month. The national target is said to be well within the industry's capacity. As the accompanying table shows, seven out of twenty-four districts actually exceeded their district targets last month. Miners in Shropshire, which exceeded its target by no less than 5.4 per cent, will receive a bonus of 1s. 3d. a shift. In addition to the recorded output for the four weeks ended

October, some 50,000 tons a week are now being produced from opencast workings. Mr Tom Smith, Joint Parliamentary Secretary to the Ministry of Fuel and Power, stated last Sunday that the save fuel campaign had so far been "remarkably successful," "both in the industrial and domestic fields"; there had been a saving of coal, gas, and electricity ranging from 17 per cent to over 50 per cent. Such figures are deplorably misleading unless they compare overall consumption, in terms of coal, with the corresponding period a year earlier. If there had been a general reduction in consumption of the order indicated by Mr Smith, the Ministry of Fuel and Power would soon be faced with the problem of surplus production. The real test will come with the impact of winter conditions on demand, and on the production and transport of coal.

Utility Furniture

By the utility furniture scheme, complete control is exercised by the Board of Trade over domestic furniture production. It provides a contrast with clothing. In the first place, only utility furniture may be manufactured after November 1st. (Furniture already in production may be completed after that date.) Secondly, while there are only

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

negative restrictions on the design of clothing, whether utility or non-utility, furniture must conform to the Board of Trade designs, which are being registered with the Patent Office as national designs. Thirdly, while utility clothing may be bought by anyone on the surrender of coupons, there is no universal ration system for the purchase of utility furniture; permits must be obtained, and preference is to be given to people with special needs, such as the bombed, and newly married couples. There is no restriction on sales of remaining stocks of non-utility furniture. Production of the new furniture is about to begin and will be confined to firms licensed by the Board of Trade; some will be on sale by the end of the year. Prices have not yet been fixed and no decision has been reached about the question of purchase tax on the furniture.

In designing the furniture, the advisory committee, which was appointed in July, has been limited by the material available for production. No plywood could be used, metal springs are scarce, only home-grown timber is available, paint is needed for more essential use, and the usual polishes are unobtainable. Over three-quarters of the material used is hard board, a compressed paper and wood pulp mixture, veneered on both sides. The furniture is designed in such a way that the maximum strength is given to the finished article, though it may not have the durable qualities of pre-war production. In appearance the furniture is neat, and its lines are simple and pleasing. It is, as far as it can be, in the school of good, plain, modern furniture designing.

Another Campaign

Another scrap drive was inaugurated on Monday, this time for the collection of non-ferrous metals. Scrap is to be collected through special local depôts, together with other salvage by local authorities, and by scrap dealers. It would be wrong to infer from the new drive that supplies of non-ferrous metals available to the United Nations are dwindling. Far from it. Apart from tin, which was derived in large quantities from the Dutch East Indies and Malaya before their occupation by Japan, supplies of most non-ferrous metals are increasing. The production of aluminium, copper and magnesium have been rising steadily. Indeed, as has been pointed out before, the growing scarcity of non-ferrous metals, as of other raw materials, is due largely to the expanding needs of the munition factories in North America and Great Britain. The growth in demand for raw materials is tending to outpace the growth in their production. Consequently, the need for economising in the use of materials and for collecting scrap is becoming even more urgent if the huge Allied munition programmes are to be fulfilled. So far as Great Britain is concerned, one additional reason for the new drive is the need for economising shipping space. It is impossible to estimate the tonnage of the various non-ferrous metals available for scrap and, consequently, the yield of the drive. But since many persons remember to their sorrow the serviceable aluminium pots and pans which they gave up two years ago, it should be made clear what kind of materials should be handed over and that the articles will not remain indefinitely on the scrapheap.

Dissipated Activity?

The latest monthly bulletin of the Building Industries National Council contains an interesting account of its activities during the ten years of its existence, spiced by the usual castigation of the Ministry of Works and Planning, "which is essentially the (building) industry's own child." For example,

under the pressure of war, a metaphorical cloud of locusts, in the form of administrators, has fallen upon the industry. The industry is still in the unfortunate position of being unable to organise its full resources because the wartime building needs, which can only be compiled by the Government, have not yet been expressed in physical or any other measurable terms. There is still no organised and properly collated building programme. The general position in the building industry remains one of divided, and in consequence dissipated, activity.

It is difficult to follow these flights of fancy and to understand the precise meaning of phrases such as "dissipated activity." No doubt the Ministry has made, and is making,

mistakes, and criticism of specific failures can only do good. But it is difficult to believe that the Government has no organised building programme; if this charge were true, the position would be serious indeed. So far as it is known, the building programmes of the various Government Departments are carefully collated and related to the industry's resources. But in present conditions, even the most carefully prepared programme is often upset by a change in circumstances. Admittedly, this does not mean that there is no scope for improvement; indeed, a good deal remains to be done. The problem of concentration, too, will give rise to many difficulties.

Paint and Varnish Industry Concentration

The scheme for the concentration of production in the paint and varnish industry has reached an advanced stage. Nucleus certificates have been issued to firms which have been nominated by the Board of Trade, in agreement with the Ministry of Supply and other Government Departments interested in the use of the industry's products for essential purposes, and the Ministry of Labour. The National Federation of Paint and Varnish Manufacturers has a list of nucleus firms, and the "closers" can arrange for their production to be transferred to the "runners." In some cases, the Board of Trade may permit the postponement of transfer until the end of the year, but in general transfers will be made forthwith. From January 1, 1943, raw materials will be allocated only to nucleus or approved firms. The labour force to be permitted to nucleus firms will be decided by joint agreement between the Ministry of Labour, the Board of Trade and the Ministry of Supply. In the meantime, key workers and immobile older workers from the closing firms may be absorbed into the nucleus factories. The industry has adopted a compensation scheme in which all manufacturers of paint, lacquer and varnish will participate, to protect the interests of closed firms; it is awaiting Board of Trade approval.

Cotton Export Trade

In view of the shortage of cotton and cotton goods for essential purposes in this country, no increase in export trade can be expected. Exports have been restricted for some time and are only permitted in accordance with allocations made by the Cotton Board. The buying power of shippers was exhausted at the end of September, and allocations have been issued for West African markets for the six months ending March 31st next, instead of the usual three months. The extended allocations have been granted to give the Cotton Controller an opportunity of planning requirements well ahead and to make continuity of production for the West African market easier. The larger allocations are expected to be used to increase the size of individual orders and not to widen the range of goods put into production. The minimum quantities which the Cotton Control, under its planning scheme, can accept for printed cloths will remain at 500 pieces of 120 yards, or 60,000 linear yards. In the case of speciality cloths, such as coloured woven domestics, brocades and some categories of coloured woven goods, minimum quantities of 24,000 linear yards will be accepted and planned. Merchants who may not be in a position to place the requisite minimum quantities may be assisted by British Overseas Cottons.

Milk Marketing Plan

On October 1st the distribution of milk from producer to retailer was begun according to the new plan. In effect, the Government took over the ownership of all milk, and by this action has affected every section of dairying. The producer now enjoys a guaranteed market at a guaranteed price, which does not, as formerly, vary according to the purpose for which the milk is used. The only price variation—between winter and summer milk—is designed to encourage winter production. A further differential will be introduced later, after tests have been made, whereby inferior milk will be paid at a lower rate. Quality premiums continue to be paid. The Milk Marketing Board buys the milk from the producer, and is responsible for transporting it from the farm to the point of first delivery, which is determined by the Ministry of Food. At this point the milk

COMPANY MEETINGS

THE UNITED STEEL COMPANIES, LIMITED

SIR WALTER BENTON JONES'S STATEMENT

The annual general meeting of The United Steel Companies, Limited, was held, on the 21st instant, at the Iron and Steel Institute, 4 Grosvenor Gardens, London, S.W.

Sir Walter Benton Jones, Bt. (chairman and managing director), presided.

The secretary (Mr R. Gresham Cooke) read the notice convening the meeting and the report of the auditors.

The chairman's statement, which had been circulated with the annual report and accounts and was taken as read, was as follows:—

In present circumstances it is not possible for me to review the business of the company in detail at its annual general meeting, as has been my custom in normal times; I think, therefore, it would suit the convenience of the shareholders if I were to follow the war-time practice adopted by the chairmen of many companies of making a statement to be issued with the directors' report and the accounts instead of giving an address at the meeting. Accordingly I have prepared this statement and at the annual general meeting I shall do no more than formally propose the adoption of the report and accounts.

THE ACCOUNTS

The report and accounts, although arranged to economise paper, are in the usual form, including a statement of combined assets and liabilities. The accounts themselves are clear and require no explanation.

War damage insurance has been provided out of the special reserve which it will be remembered was made last year by a transfer from the general reserve.

Owing to the great demands of taxation the profit earned after appropriating £125,000 to reserve for obsolescence, the

same amount as was provided last year and the year before, again leaves no margin to add to the general reserve.

There has been little change in the state of any of the company's properties. Some additions have been made and ordinary upkeep has been maintained.

Our staff and our operatives continue to devote themselves unsparingly to the single effort which is required of all in these days. While making this reference to our own people, I take this opportunity to express an opinion about the industry of the general body of workers in this country, of all grades and in all occupations. The majority of men—and women—never take their noses from the grindstone; they do not want to be talked about or eulogised; nor are they driving themselves to perform unpleasant but necessary duties; they do their utmost because they are British and have been challenged. It is the loyalty and determination of these men and women which has built up a high rate of production and which I believe can and will build still higher. To our own staff and our own operatives the shareholders will join with the directors in their appreciation and gratitude.

I cannot say anything about the operation of the company's works nor can I forecast the future. Our task is necessarily the day's work and to this end we are devoting all our energies.

The report and accounts were unanimously adopted.

THE DIVIDEND

The proposed final dividend for the year ended June 30, 1942, at the rate of 5½ per cent., less tax, making with the interim dividend already paid a total distribution for the year of 8 per cent., less tax, was approved.

The retiring directors, Sir Robert Hilton, Mr J. Henderson, Mr A. Jollie, Mr C. F. Ward Jones and Mr A. J. Peech, were re-elected; and the auditors, Messrs Peat, Marwick, Mitchell and Company, were reappointed.

The proceedings terminated with a vote of thanks to the chairman, directors and staff.

(Continued from page 522)

becomes the property of the Ministry, and is sold to distributors (who used to buy direct from producers) at a flat rate (subject to a churn allowance) of 2s. 1d. a gallon. The Ministry is responsible for the transport and allocation of milk. Allocation, of course, is based on the requirements of dairymen according to the priority and non-priority needs of their customers. New rates of remuneration are received by distributors as a consequence of the new, rationalised plan of distribution, and are now as follows:—

	d. per gallon
Depôt proprietor	1½
Wholesaler	2
Retailer in London	11
Retailer in provinces	10½

These margins are based on the services performed by distributors. In some cases, where one firm performs more than one distributing function, it is paid less than the combined rates for each function.

The general effect of the scheme is to iron out anomalies in distribution, and by rationalisation the cost of retailing has been reduced. The ultimate gain goes to the taxpayer, since the savings will reduce the milk subsidy, which at present is £20 millions a year. Distributors' margins are to continue for six months, and in the meantime costings are being newly investigated. Plans for the rationalisation of retail distribution, which apply in the first instance to localities with a population of more than 10,000, are now almost complete. It is estimated that about a quarter of the manpower engaged will be released and 40 per cent less petrol used.

Cocoa Difficulties

The West African Cocoa Scheme has entered its fourth year, and it appears to have reached a critical stage. The

DECCA RECORD COMPANY, LIMITED

HIGHLY SATISFACTORY RESULTS

The thirteenth annual general meeting of The Decca Record Company, Limited, was held, on the 21st instant, in London.

Sir Cyril F. Entwistle K.C., M.C., M.P. (the chairman), said that there was a profit for the year of £69,490, against £48,555 for the previous year. The directors recommended a dividend of 25 per cent., less tax, on the ordinary shares and the transfer of £40,000 to general reserve account, bringing it up to £100,000, and the balance to be carried forward would be £15,488. Thus in the four years since the scheme of reconstruction undistributed profits of over £115,000 had been retained in the business.

The directors had felt it advisable to build up the capital position of the company as rapidly as possible, limiting the dividends paid to the ordinary shareholders to a small proportion of the total available profits. The results for the year under review justified a much larger dividend, but he believed the shareholders would endorse the directors' decision to take a long-term view. Shareholders would not expect him to make any promise with regard to the current year, but he could go so far as to say that the directors would consider the question of distributing a larger proportion of the available profits. He felt sure shareholders would regard the results of the year's operations as highly satisfactory.

With regard to the current year, they had been subjected to various new restrictions which concerned the manufacture and sale of records, but the business of the company continued to be satisfactory. Although shareholders would not expect him to forecast the results for the whole year, based on present knowledge he saw no reason why last year's progress should not be maintained. Their business had been established on such a foundation that the directors could look to the future with confidence.

The report was unanimously adopted.

scheme was designed to prevent West African cocoa farmers from suffering despite loss of markets. In normal times, Europe absorbed over one-third of world supplies, of which West Africa produced over two-thirds. Under the Government's buying scheme, the whole British West African crop and the surplus from the Fighting French and Free Belgian areas in Africa are acquired at a fixed price. In the first war season, the Ministry of Food administered the scheme, but in the autumn of 1940 it was transferred to the Colonial Office, which acts through the Produce Control Board. Over 400,000 tons a season are acquired under the scheme—more than four times as much as the normal requirements of this country. The plan has, so far, fared better than might have been expected. In the first season, there was a loss of £263,000, but reduced buying prices and larger sales to the United States resulted in a surplus of about £1,600,000 in the second season, counter-balancing the previous loss. Any surpluses under the cocoa buying scheme will be repaid to the farmers after the war, or will be otherwise used for their benefit. Unfortunately, the surplus of 1940-41 may be swallowed up unless a new way can be found to use the controlled cocoa. The margin between the Control Board's purchases and sales of cocoa beans is rapidly widening and has reached a size which makes the scheme a risky one. One way to preserve the scheme's usefulness both to the Government and to the farmers would be to use the surplus cocoa for the production of cocoa butter. Cocoa butter requires less shipping space than cocoa beans and is a useful vegetable oil. The plant required for processing is comparatively simple and could in part be produced locally. The Produce Control Board deals with cocoa and oilseeds, so there is a clear basis for such a development. The establishment of cocoa butter extraction facilities in West Africa would be of outstanding value to native farmers now and after the war; it could help to stabilise the cocoa market through the retention of some supplies in West Africa for processing. In the past the season's cocoa crop used to be shipped in three months, resulting in such pressure on the market that prices as a rule were depressed throughout the year.

RECORDS and STATISTICS

STOCK EXCHANGES
London

Note: all dealings are for cash

MARKETS during the past week have been quiet, but despite some profit-taking early this week, there is no indication that the strong upward trend of recent weeks will not be resumed with the advent of more favourable market conditions. Both the fixed-interest and ordinary share indices of the *Financial News* continue to reflect some improvement in prices, while markings show little change on the previous week. Some investment demand at the reopening of the week had little effect on prices in the *gilt-edged* market, but quotations generally subsided the next day on the absence of support, although a number of the losses were recovered later. With the diminution of the Japanese threat to Australia, trading in Australasian stocks has been resumed, but while almost all issues are now above the minimum quotations active dealing is still relatively difficult. Apart from small fluctuations for Chilean stocks, South American issues in the *foreign bond* market were inactive. Greek stocks were bought, but the 4 per cent Egyptian Unified loan weakened. Chinese bonds, however, advanced up to a point and more on some shortage of stock. Activity in the *home rail* market was on a considerable scale, junior stocks providing the chief interest. Of these GW ordinary and Southern preferred were outstanding with rises of 2½ and 2 points on the week, respectively, prices remaining firm despite profit-taking in mid-week. Among the Berwick stocks steady gains for the first and second 4 per cent preference issues reflected some good support, while LMS preference stocks were also in demand. London Transport "C" stock was prominent this week with a total gain of 4½ points. Turnover in the *foreign rail* market was on a smaller scale, but several useful gains were recorded for senior Argentine stocks. BA Western 4 per cent debentures rose 3 points, while San Paulo ordinary and later BA Pacific consolidated debenture advanced 2 and 3 points respectively. Elsewhere Canadian Pacific issues fluctuated without any significant change on balance.

Despite some profit-taking the effect on prices in the *industrial* section was slight, the undertone remaining distinctly firm throughout. Thus, small but numerous improvements were scattered among lead-

ing brewery issues, South African Breweries being outstanding with a rise of 2s. In the tobacco group BAT and Gallaher fluctuated narrowly, but Imps remained unchanged. Small gains predominated in the heavy industrial section, advances for colliery issues providing some of the largest gains, but in general advances were restricted to a few pence. Changes among shipping issues were trendless and without significance, but in the motor section Rolls-Royce and De Havilland advanced 2s. 6d. and 2s. respectively among other smaller improvements. Triplex, however, moved against the trend, falling 2s. British Celanese issues remained indifferent to the latest developments in the second preference scheme until midweek, when the equity jumped 1s. 1½d. Textile issues generally moved narrowly and without trend, although Patons & Baldwin rose ½s. Among stores issues Harrods and Woolworths weakened, but in the miscellaneous section Hudson's Bay advanced 2s. 9d. on the week. International Nickel and Brazilian Traction were both rather better, and Dunlop advanced steadily, but Murex lost ½s.

Spasmodic Cape support occasioned narrow fluctuations in the *kaffir* market, but actual business was insufficient to affect prices to any marked degree. In midweek, however, a slightly firmer tone became apparent on renewed buying from the Cape. Rubber shares were practically unchanged, but further support was accorded several leading tea issues, Pabbojan jumping 2s. 6d. in midweek. The oil market was featureless, apart from several small declines at the opening of the week which were generally recovered in midweek.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List †	Corres. Day 1941 \$	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
Oct. 15	5,002	2,796	88.4	133.5
" 16	4,574	2,856	88.4	133.5
" 19	5,932	3,253	88.6	133.5
" 20	4,843	2,891	88.5	133.5
" 21	5,527	2,767	88.6	133.5

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942 highest, 88.6 (Oct. 21); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942 highest, 135.6 (Apr. 29), lowest, 132.2 (Jan. 5). † New basis in S.E. List, § Old basis.

New York

In view of the uncertainty arising from the lack of definite news from the Solomon

COMMODITY AND INDUSTRY NEWS

Bread Subsidy Extended.—A temporary subsidy of 2s. a sack on the first eight sacks of bread produced by bakers in England and Wales was granted by the Ministry of Food in June, to continue until the end of September. It was made to cover the time needed by the National Association of Master Bakers, Confectioners and Caterers to investigate bread costs. The investigation is not yet complete and the Ministry is to continue the subsidy for a month from October 10th last.

Flour and Semolina Retail Prices.—The Flour (Maximum Retail Prices) Order, made by the Minister of Food, came into force on October 18th. It prescribes maximum retail prices for plain flour which vary between 2½d. and 2½d. a lb., according to the quantity bought; self-raising flour prices vary from 3½d. to 3½d. a lb. Maximum prices for semolina vary according to weight, and prepacked semolina can be sold from 4d. to 7d. a lb. For semolina sold loose the price varies from 4d. to 5d. a lb. The price of flour to bakers has been controlled since the war began.

Export Control.—The Export of Goods (Control) (No. 40) Order (SR and O,

No. 2101), which comes into force on November 2nd, extends control to cover fancy glassware; clinical thermometers; wire cloth and wire gauze; ships' propellers; certain plastic articles; plumbago crucibles; feathers and down; and additional metal manufactures, machinery and chemicals. Applications to export certain goods manufactured from non-ferrous metals will not normally be entertained.

Paper Control.—The Minister of Supply has made two new paper control Orders (Nos. 52 and 53), which come into force on October 26th. The first makes changes in maximum prices for paper and contains some new provisions for paper of lighter substances. Retail sales of 28 lb. or more of paper are price controlled. The second Order permits certain increases in the maximum prices which may be paid to waste-paper merchants. Maximum prices of waste ropes and strings are amended by this Order.

Service Laundry Charges.—The Board of Trade, in consultation with the Central Price Regulation Committee, have made the Services Laundry (Maximum Charges) Order (SR and O, No. 2091), which came

Islands and Stalingrad, Wall Street adopted a waiting policy at the end of last week. Despite many small losses on rather light selling, prices remained little below the recent peak levels, and after a dull opening buying of industrial issues based on current economic conditions occasioned a general advance, leading industrial stocks advancing a point early this week.

STANDARD STATISTICS INDICES
(1935-36=100)

	1942		Sept. 30, 1942	Oct. 7, 1942	Oct. 14, 1942
	Low April 29	High Oct. 14			
347 Industrials	62.4	77.1	72.6	75.0	77.1
32 Rails	58.4d	73.1	68.6	71.7	73.1
40 Utilities	53.1	67.4a	60.1	61.8	64.9
419 Stocks	60.8	74.9	70.4	72.7	74.9
Av. yield %	8.40	5.98	6.36	6.14	5.98

* 50 Common Stocks.

(a) Jan. 7. (d) June 24.

DAILY AVERAGE OF 50 COMMON STOCKS					
Oct. 8	Oct. 9	Oct. 10	Oct. 12	Oct. 13	Oct. 14
94.2	94.4	95.1	(a)	95.3	95.3

1942 High: 95.3, Oct. 14. Low: 75.2, April 28.
(a) Columbus Day.

Total share dealings: Oct. 15, 596,000;
Oct. 16, 505,000; Oct. 17, 245,000;
Oct. 19, 401,000; Oct. 20, 667,000;
Oct. 21, 701,000.

* Two hour session only.

Capital Issues

Week ending October 24, 1942	Nominal Capital £	Con- versions £	New Money £
Particulars of Government issues appear on page 525.			
Year†	Including Conversions	Excluding Conversions	
1942.....	1,254,257,559	1,225,471,186	
1941.....	1,253,116,278	1,199,508,996	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1942.....	1,225,043,599	349,272	78,315
1941.....	1,195,233,561	4,205,435	70,000

Nature of Borrowing (Conv. Excl'd.)

Year†	Deb.	Pref.	Ord.
1942.....	1,217,977,923	938,562	6,554,701
1941.....	1,192,520,372	477,460	6,511,324

† Includes Government issues to Oct. 13, 1942, only.
Above figures include all new capital in which permission to deal has been granted.

(Continued on page 526)

GOVERNMENT RETURNS

For the week ended Oct. 17, 1942, total ordinary revenue was £47,436,000, against ordinary expenditure of £105,652,000, and issues to sinking funds of £326,000. Thus, including sinking fund allocations of £6,784,215, the deficit accrued since April 1st is £1,606,155,000, against £1,660,468,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Esti- mate, 1942-43	April 1 to Oct. 18, 1941	April 1 to Oct. 18, 1942	Week ended Oct. 18, 1941	Week ended Oct. 17, 1942
ORDINARY REVENUE					
Income Tax	913,000	210,080	301,620	13,545	10,413
Sur-tax	78,000	15,094	14,194	800	530
Stamp duties, etc.	90,000	50,110	50,710	1,560	1,381
Stamps	15,000	6,471	7,190	100	200
N.D.C.	11,343	14,905	570	560	
E.P.T.	425,000	116,225	175,105	7,875	8,590
Other Ind. Rev.	1,000	207	280	...	...
Total Ind. Rev.	1522000	409,530	564,004	24,450	21,674
Customs	438,295	196,637	249,479	8,421	7,452
Excise	366,705	164,300	215,500	3,200	5,300
Total Customs & Excise	805,000	360,937	464,979	11,621	12,752
Motor Duties	34,000	10,379	5,233	232	355
Canadian Govt. Contribution	225,000	...	177,287	...	8,988
P.O. (Net Receipts)	10,000	6,250	6,900	1,050	800
Wireless Licences	4,300	...	1,520	...	...
Crown Lands	800	530	460	...	...
Receipts from Sundry Loans	5,000	2,151	1,081	144	...
Miscell. Receipts	21,000	39,702	58,948	1,538	2,867
Total Ord. Rev.	2627100	829,479	1280412	39,035	47,436
SELF-BALANCING P.O. & Bridgecastg.	102,523	52,500	55,700	1,100	1,300
Total	2729623	881,979	1336112	40,135	48,736

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Esti- mate, 1942-43	April 1 to Oct. 18, 1941	April 1 to Oct. 18, 1942	Week ended Oct. 18, 1941	Week ended Oct. 17, 1942
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	325,000	160,888	191,300	9,635	12,952
Payments to N. Ireland	9,500	3,940	4,024	...	...
Other Cons. Fund Services	7,800	4,051	3,721	239	...
Total	342,300	168,879	199,045	9,874	12,952
Supply Services	4944179	2314860	2680738	78,000	92,700
Ord. Exp.	5286479	2483739	2879783	87,874	105652
SELF-BALANCING & Bridgecastg.	102,523	52,500	55,700	1,100	1,300
Total	5389002	2536239	2935483	88,974	106952

After decreasing Exchequer balances by £157,549 to £2,948,293, the other operations for the week (no longer shown separately) raised the gross National Debt by £844,876 to £15,677 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Oct. 17th and Oct. 23rd. (Figures in brackets are par of exchange.)

United States. \$ (4-86½) 4-02½-03½; mail transfers 4-03-03½.	Canada. \$ (4-86½) 4-43-47; mail transfers 4-43-47½.	Switzerland. Francs (25-28½) 17-30-40.	Sweden. Krona (18-159) 16-85-95.	Argentina. Peso (11-46) 16-95½-17-13; mail transfers 16-95½-17-15.	West Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64.	Portugal. Escudos (110) 99-80-100-20.	Panama. \$ (4-02-04); mail transfers 4-02-04½.
---	--	--	----------------------------------	--	--	---------------------------------------	--

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta (25-22½) 40-50 (Official rate); 46-55 (Voluntary rate). Turkey. Piastres (110) 620. Italy. 71-25 lire.

Finance

NET ISSUES (£ thousands)	250
P.O. and Telegraph	5
Overseas Trade Guarantees	255
NET RECEIPTS (£ thousands)	795
War Damage Act	795

FLOATING DEBT

Date	Tender	Tap	Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
			Public Depts.	Bank of England		
1941						
Oct. 18	970-0		Not available			
July 18	975-0	1654-3	166-8	...	654-5	3450-6
Aug. 1	975-0		Not available			
" 8	975-0		"	"	"	"
" 15	975-0		"	"	"	"
" 22	975-0		"	"	"	"
Sept. 5	975-0	1668-3	254-4	...	695-5	3593-2
" 12	975-0		Not available			
" 19	975-0		"	"	"	"
" 26	975-0		"	"	"	"
Oct. 3	975-0	2,693-3	225-6	5-5	760-5	3684-8
" 10	975-0		Not available			
" 17	980-0		"	"	"	"

TREASURY BILLS

Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1941				s. d.	
Oct. 17	75-0	155-6	75-0	20 0-54	35
1942					
July 24	75-0	136-6	75-0	20 0-60	42
" 31	75-0	155-1	75-0	19 11-91	28
Aug. 7	75-0	151-4	75-0	20 0-71	38
" 14	75-0	135-6	75-0	20 0-69	44
" 21	75-0	151-4	75-0	20 0-71	39
" 28	75-0	163-6	75-0	20 2-85	31
Sept. 4	75-0	166-1	75-0	19 10-62	44
" 11	75-0	157-3	75-0	19 10-87	40
" 18	75-0	145-3	75-0	20 2-45	27
" 25	75-0	134-7	75-0	19 11-52	55
Oct. 2	75-0	156-2	75-0	20 0-15	33
" 9	80-0	164-8	80-0	20 0-47	35
" 16	85-0	181-2	85-0	19 11-90	27

On Oct. 16th applications at 99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 27 per cent of the amount applied for, and applications at higher prices in full. Applications at 99 15s. for bills to be paid for on Saturday were accepted in full. £85 millions of Treasury Bills are being offered on Oct. 23rd. For the week ending Oct. 24th, the banks will be asked for Treasury deposits to a maximum amount of £50 millions.

NATIONAL SAVINGS
CERTIFICATES AND 3% AND 2½%
BOND SUBSCRIPTIONS

Week ended	£ thousands			
	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Sept. 8	4,285	1,952	4,925	20,339
" 15	4,274	1,949	7,583	12,009
" 22	4,180	1,930	6,873	8,927
" 29	4,729	2,395	7,197	5,612
Oct. 6	4,697	2,268	9,182	19,575
" 13	4,376	2,128	8,006	16,661
" 20	...	...	5,925	7,066
Totals to date	632,469	500,137	886,623	625,294

* 151 weeks. † 94 weeks. ‡ 54 weeks.
§ Including series "A." || Including all Series.
Interest free loans received by the Treasury up to Oct. 20th amounted to a total value of £51,459,427. Up to Sept. 30th, principal of Savings Certificates to the amount of £81,572,000 has been repaid.

Market Rates.—The following rates remained unchanged between Oct. 17th and Oct. 23rd:

Egypt. Piastres (97½) 97½-1.	India. Rupee (18d. per rupee) 17½-18½d.	Belgian Congo. Francs 176½-1.	China. National \$ 2½-3½d.
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Special Accounts are in force for Brazil, Chile, Uruguay, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. ½ cent pm.-par. Canada. ½ cent pm.-par. Switzerland. 3 cents pm.-par. Sweden. 3 ore pm.-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Oct. 17th and Oct. 23rd:—Bank rate 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND
RETURNS

OCTOBER 21, 1942

ISSUE DEPARTMENT

£		£	
Notes Issued :		Govt. Debt . . .	11,015,100
In Circul.	847,030,164	Other Govt.	
In Bank, De-		Securities . . .	866,265,906
partment	33,211,554	Other Secs. . . .	1,458,694
		Silver Coin. . . .	1,260,300
		Amt. of Fid.	
		Issue	880,000,000
		Gold Coin &	
		Bullion (at	
		168s. per oz.	
		fine)	241,718
	880,241,718		880,241,718

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Oct. 18, 1941	Oct. 17, 1942	Oct. 18, 1941	Oct. 17, 1942
Working days:	6	6	246	245
Birmingham	2,082	2,058	92,754	101,608
Bradford	2,034	1,941	90,227	87,197
Bristol	2,296	895	82,440	94,262
Hull	704	818	26,757	31,303
Leeds	724	864	40,932	45,686
Leicester	941	932	33,745	34,956
Liverpool	7,904	3,797	227,329	187,283
Manchester	11,004	12,439	481,776	497,732
Newcastle	1,640	1,485	54,618	60,882
Nottingham	426	433	18,474	19,174
Sheffield	830	749	28,860	34,665
Southampton	103	113	3,842	4,668
12 Towns	30,688	26,524	1,181,752	1,199,416
Dublin*	5,910	6,913	242,702	258,808

* Oct. 11, 1941, and Oct. 10, 1942.

OVERSEAS BANK RETURNS

RESERVE BANK OF INDIA
Million rupees

	Oct. 10, 1941		Sept. 25, 1942		Oct. 9, 1942	
	1941	1942	1942	1942	1942	1942
ASSETS						
Gold coin & bullion	444	444	444	444	444	444
Rupee coin	387	271	269	264	247	247
Balance abroad	689	811	863	886	855	855
Indian Govt. rup. sec.	1,436	3,298	3,298	3,048	3,148	3,148
Investments	765	1,024	1,024	1,324	1,324	1,324
LIABILITIES						
Notes in circ.: India	2,724	4,909	4,926	4,978	5,071	5,071
Burma	192	192	192	192	192	192
Deposits: Govt.	256	173	232	246	167	167
Banks	497	618	646	648	665	665
Reserve ratio	62.0%	74.3%	74.3%	68.8%	69.6%	69.6%

U.S. FEDERAL RESERVE
Million \$'s

	Oct. 16, 1941		Oct. 15, 1942	
	1941	1942	1942	1942
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and	20,525	20,562	20,562	20,567
due from Treasury	20,790	20,808	20,810	20,828
Total resources	41,315	41,370	41,372	41,395
LIABILITIES				
Notes in circulation	21,164	3,567	3,592	3,809
Total bills and sec.	2,201	3,590	3,615	3,836
Total liabilities	23,365	7,157	7,207	7,645
Reserve ratio	91.0%	85.6%	85.5%	84.6%
BANKS AND TREASURY				
RESOURCES				
Monetary gold stock	22,778	22,754	22,756	22,758
Treasury & bank currency	3,207	3,554	3,556	3,559
LIABILITIES				
Money in circulation	10,283	13,708	13,830	13,932
Treasury cash and dep.	2,481	2,879	2,628	2,351

SOUTH AFRICAN RESERVE BANK
Million £'s

	Sept. 12, 1941		Aug. 7, 1942		Aug. 21, 1942	
	1941	1942	1942	1942	1942	1942
ASSETS						
Gold coin and bullion	53.54	61.33	62.93	62.93	62.93	62.93
Bills discounted	0.93	1.05	0.85	0.85	0.85	0.85
Invest. and other assets	42.59	59.84	59.88	59.88	59.88	59.88
LIABILITIES						
Notes in circulation	24.97	34.34	32.83	33.7	33.7	33.7
Deposits: Government	4.80	5.43	7.07	5.2	5.2	5.2
Bankers'	59.11	72.46	74.85	76.7	76.7	76.7
Others	4.29	6.02	4.86	4.7	4.7	4.7
Reserve ratio	57.7%	52.0%	52.7%	53.7%	53.7%	53.7%

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

	Aug. 18, 1941		Aug. 10, 1942		Aug. 10, 1942	
	1941	1942	1942	1942	1942	1942
ASSETS						
Gold and stg. exch.	18.14	28.05	28.53	28.53	28.53	28.53
Advances to State	24.02	32.06	31.00	31.00	31.00	31.00
Investments	3.77	4.15	4.15	4.15	4.15	4.15
LIABILITIES						
Bank Notes	21.94	26.13	26.18	26.18	26.18	26.18
Demand liab.: State	9.56	14.35	13.35	13.35	13.35	13.35
Banks and others	13.59	22.56	22.78	22.78	22.78	22.78
Reserve to sight liab.	40.2%	44.5%	45.8%	45.8%	45.8%	45.8%

CENTRAL BANK OF TURKEY
Million Turkish pounds

	June 7, 1941		May 30, 1942		June 6, 1942	
	1941	1942	1942	1942	1942	1942
ASSETS						
Gold	120.3	134.7	138.4	138.4	138.4	138.4
Clearing and other exch.	44.9	65.7	64.7	64.7	64.7	64.7
Treasury bonds	137.5	135.0	135.0	135.0	135.0	135.0
Commercial bonds	275.5	318.6	310.3	310.3	310.3	310.3
Securities	53.9	55.6	55.6	55.6	55.6	55.6
Advances	175.5	234.2	252.0	252.0	252.0	252.0
LIABILITIES						
Notes in circulation	522.5	591.0	598.0	598.0	598.0	598.0
Deposits: Government	147.6	177.1	177.5	177.5	177.5	177.5
Clearing and other exch.	24.7	24.8	26.0	26.0	26.0	26.0

UNITED STATES: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average										1942							
		1941										1942							
		1929	1932	1938	1939	1940	1941	July	Aug.	Sept.	Mar.	April	May	June	July	Aug.	Sept.		
Population June, 1940: 131,954,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kms.																			
1. Industrial production, adj. F.R.B.	1935-39=100	110	58	88	108	122	155	160	161	161	171	173	174	177	180	183	183		
2. " " unadj. F.R.B.	"	110	58	89	108	123	156	159	162	167	168	171	175	177	181	186	186		
3. Manufactures, dur. adj. F.R.B.	"	132	41	78	109	138	193	199	199	203	229	232	237	243	251	256	256		
4. " non-dur. adj. F.R.B.	"	93	70	95	108	113	135	138	139	137	139	139	138	138	137	138	138		
5. Minerals, adj. F.R.B.	"	107	67	97	106	117	125	131	132	131	127	130	129	132	133	136	136		
Building contracts awarded:—																			
6. Total, adj. F.R.B.	1923-25=100	117	28	64	72	81	122	139	152	161	125	128	158	197	208	177	177		
7. Residential, adj. F.R.B.	"	87	13	45	60	72	89	115	112	105	95	82	76	88	77	69	69		
8. Other, adj. F.R.B.	"	142	40	80	81	89	149	158	184	206	149	165	226	286	315	273	273		
9. Freight-car loadings, adj. F.R.B.	1935-39=100	152	78	89	101	109	130	138	139	130	136	143	143	141	141	142	142		
10. Dept. store sales, adj. F.R.B.	1923-25=100	111	69	85	90	94	110	115	134	116	124	117	108	104	117	128	128		
Employment:—																			
11. Non-agricultural, adj. F.R.B.	'000	...	...	...	...	...	...	39,903	40,101	40,016	40,942	40,977	41,137	41,174	37169*	37539*	37539*		
12. " " " " " " " "	1935-39=100	107.1	82.2	98.6	102.8	106.4	115.6	117.1	117.7	117.5	120.2	120.3	120.8	120.9	...	...	...		
13. Factory, adj. F.R.B.	1923-25=100	106.0	66.3	90.9	99.9	107.5	127.7	133.3	133.3	132.3	134.7	135.5	137.0	139.1	144.1	144.5	144.5		
14. " " " " " " " "	"	110.4	46.7	78.5	92.2	105.4	148.8	152.7	158.1	162.6	182.9	186.7	191.8	194.5	202.4	214.4	214.4		
15. " " " " " " " "	Number	...	...	...	...	...	...	40.3	41.0	40.9	42.5	42.4	42.6	42.6	42.4	...	...		
16. " " " " " " " "	Cents	...	45.8	63.9	64.4	67.0	73.6	74.4	74.5	75.8	80.9	81.9	83.1	84.0	85.0	...	...		
17. Average hours, B.L.S.	1935-39=100	122.5	97.6	100.8	99.4	100.2	105.2	105.3	106.2	108.1	114.3	115.1	116.0	116.4	118.9	117.4	117.4		
Wholesale prices:—																			
18. Farm products, B.L.S.	1926=100	104.9	48.2	68.5	65.3	67.7	82.4	85.8	87.4	91.0	102.8	104.5	105.3	105.3	105.3	105.3	105.3		
19. Foods, B.L.S.	"	99.9	61.0	73.6	70.4	71.3	82.7	84.7	87.2	89.5	96.1	98.7	98.9	93.3	99.2	100.8	100.8		
20. Other commodities, B.L.S.	"	91.6	70.2	81.7	81.3	83.0	89.0	89.7	90.8	91.6	95.2	95.6	95.7	95.6	95.7	99.1	99.1		
21. Wh'sale com'dity prices, unadj., F.R.B.	"	95.3	64.8	78.6	77.1	78.6	87.3	88.8	90.3	91.8	97.6	98.7	98.8	98.6	98.6	99.1	99.1		
Bank Debits:—																			
22. Total, all reporting centres	Million \$	81,878	...	33,827	35,328	37,155	44,783	44,804	42,853	43,866	49,161	46,613	48,343	50,110	...	...	...		
23. New York City	"	50,257	...	14,065	14,265	14,299	14,810	15,288	15,079	15,654	17,056	16,023	16,985	17,394	...	...	...		
24. Gold stock	"	3,996	3,952	14,512	17,644	21,995	22,737	22,675	22,719	22,761	22,687	22,691	22,714	22,737	...	...	...		
25. Money in circulation	"	4,476	5,328	6,510	7,171	7,901	9,816	9,732	9,995	10,163	11,566	11,767	12,074	12,383	...	...	...		
26. Member Bank Res. Balances	"	2,358	2,114	7,935	10,466	13,331	...	13,151	12,794	13,227	12,575	12,658	12,405	12,305	...	...	...		
27. Excess Reserves	"	43	256	2,522	4,469	6,376	...	5,215	4,796	5,557	3,073	2,791	2,486	2,362	...	...	...		
28. Capital issues, C.F. Chronicle	"	595	99	196	186	163	236	300	360	65	109	158	128	46	...	...	...		
29. 354 Indus. securities, Stand. Statistics	1929=100	100	24.4	52.6	55.5	51	47	49	49	50	109	158	128	46	...	...	...		
30. Yield on Govt. bonds	"	3.60	3.66	2.56	2.36	2.21	1.95	1.90	1.94	1.54	1.41	1.58	1.41	1.97	...	...	...		
31. Income payments, adj.	1935-39=100	122.9	70.6	98.5	105.5	113.8	137.0	138.9	141.1	143.1	161.5	162.7	165.4	169.2	173.2	173.2	173.2		
32. Treasury receipts	Million \$	4,032	2,076	5,040	5,595	7,606	...	456	554	1,136	3,548	732	764	2,494	794	797	797		
33. " " " " " " " "	"	...	...	...	...	...	...	966	1,129	1,327	2,797	3,231	3,553	3,823	4,494	4,883	4,883		
34. " " " " " " " "	"	...	...	...	...	...	...	1,598	1,529	1,874	3,421	3,753	3,953	4,530	5,160	5,215	5,215		

* Revised series.

CONVERSIONS AND REPAYMENTS

Joshua Hoyle and Sons.—The company has decided to repay, on Nov. 30th next, the nominal amount of £249,144 of the 4 per cent Secured Notes. To enable this repayment 1,835,087 new ordinary shares

of 2s. each (part of unissued share capital) are offered for subscription by shareholders at 2s. 6d. each in the proportion of one new ordinary share for every four ordinary shares already held. The new shares will rank *pari passu* with existing ordinary shares but will not be entitled to participate in any dividends paid or payable in respect of the year ended September 30, 1942.

Shorter Comment

Mexican Light and Power (Soc.)
Gross operating earnings in July, 1942, \$1,010 (\$886,125), net earnings \$360 (\$247,000). Aggregate gross earnings from Jan. to July, \$6,590 (\$5,296), aggregate net earnings \$2,201 (\$1,072).

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.																	
Prices, Year 1941		Price, Year 1942		Name of Security		Price, Oct. 1942	Price, Oct. 1942	Yield, Oct. 1942	Prices, Year 1942		Last two Dividends		Name of Security	Price, Oct. 1942	Price, Oct. 1942	Yield, Oct. 1942	
High	Low	High	Low			13, 1942	20, 1942	20, 1942	Jan. 1 to Oct. 20	High	Low	(a) (b) (c)		13, 1942	20, 1942	20, 1942	
British Funds																	
82 1/2	76 1/2	83 1/2	82 1/2	Consols 2 1/2%	82 1/2	82 1/2	8 3/4	5 0	47/6	41/3	7	b	4	Iron, Coal and Steel	47/3	47/-	4 1/2 s. d.
113 1/2	110	113 1/2	111 1/2	Consols 4% (after 1957)	112 1/2	112 1/2	13 11	5 7	50/3	41/10 1/4	11 1/2	b	4	Babcock & Wilcox (L...	46/-	47/6	6 6 0
98 1/2	100 1/2	99 1/2	99 1/2	Conv. 2% 1944-45	100 1/2	100 1/2	2 0	0	24/3	18/3	5	b	3	Bolsover Colliery Ord. 1/	30/3	29/9	3 7 6
98 1/2	101 1/2	99 1/2	99 1/2	Conv. 2% 1944-49	100 1/2	101 1/2	2 7	0	20/8 1/4	14/-	7	c	Nil	Brown (John) Ord. 10/-	23/3	24/-	6 13 3
102 1/2	103 1/2	101 1/2	101 1/2	Conv. 3% 1948-53	102 1/2	102 1/2	2 11	6	20/8 1/4	20/8 1/4	4	a	6	Colvilles Ord. 1/-	19/6	19/6	Nil
104 1/2	105 1/2	103 1/2	103 1/2	Conv. 3 1/2% (after 1961)	107 1/2	107 1/2	3 5	0 7	50/3	25/7 1/2	14	a	15	Dorman Long Ord. 1/-	28/-	28/-	7 3 0
97 1/2	98 1/2	96 1/2	96 1/2	Conv. 5% 1944-64	103 1/2	103 1/2	3 5	0 7	50/3	25/7 1/2	14	a	15	Guest Keen & Co. Ord. 1/	30/6	30/6	7 1 6
97 1/2	101 1/2	98 1/2	98 1/2	Funding 2 1/2% 1956-61	96 1/2	96 1/2	2 17	1	50/3	45/-	12	c	12	Hadfields Ord. 10/-	30/-	30/-	2 12 0
98 1/2	101 1/2	99 1/2	99 1/2	Funding 2 1/2% 1959-57	96 1/2	96 1/2	2 15	0	50/3	45/-	12	c	12	Stewarts & Lloyd (L...	49/9	50/-	5 0 0
100 1/2	101 1/2	101 1/2	101 1/2	Funding 3% 1959-63	100 1/2	100 1/2	2 18	10	8/2 1/2	5/-	Nil	c	5	Swan, Hunter Ord. 1/-	36/-	36/-	5 11 0
100 1/2	101 1/2	101 1/2	101 1/2	Funding 4% 1960-90	114 1/2	114 1/2	2 18	10	25/1 1/2	21/-	2 1/2	a	5	Thomas (Richard) Ord. 6/8	8/-	7/10 1/4	4 7 6
100 1/2	101 1/2	101 1/2	101 1/2	Nat. Def. 2 1/2% 1944-48	101 1/2	101 1/2	2 5	0 10	18 1/4	15 1/2	6	b	4	United Steel Ord. 1/-	24/9	24/9	6 9 0
100 1/2	101 1/2	101 1/2	101 1/2	Nat. Def. 3% 1954-58	102 1/2	102 1/2	2 16	1	13/6	7/-	Nil	c	Nil	Vickers Ord. 10/-	18/3	18/-	5 11 0
100 1/2	101 1/2	101 1/2	101 1/2	War Bonds 2 1/2% 1945-47	100 1/2	100 1/2	2 19	8	14/9	6/3	Nil	c	Nil	Textiles	14/3	14/-	Nil
100 1/2	101 1/2	101 1/2	101 1/2	War Bonds 2 1/2% 1946-48	100 1/2	100 1/2	2 19	7	13/9	6/3	Nil	c	Nil	Bradford Dyers Ord. 1/	13/-	13/-	Nil
100 1/2	101 1/2	101 1/2	101 1/2	Savings Bonds 3% 1955-65	100 1/2	100 1/2	2 18	0	41/3	35/6	3 1/2	a	5	British Celanese Ord. 10/-	40/6	40/9	4 5 9
100 1/2	101 1/2	101 1/2	101 1/2	Victory Bonds 4%	114 1/2	114 1/2	2 18	0	42/-	35/6	3 1/2	a	5	Coats, J. & P. Ord. 1/-	41/-	41/-	4 5 9
102 1/2	106 1/2	104 1/2	104 1/2	War Loan 3 1/2% 1955-59	101 1/2	101 1/2	3 5	0 7	15/-	23/3	Nil	c	3	Courtaulds Ord. 1/-	11/9	14/9	4 1 3
97 1/2	97 1/2	95 1/2	95 1/2	Local Loans 3% ft. 1952	106 1/2	106 1/2	3 2	2	32/10 1/2	22/9	7 1/2	c	7 1/2	Fine Cotton Spinners (L...	51/3	51/3	4 12 0
100 1/2	101 1/2	101 1/2	101 1/2	Redemption 3% 1955-56	99 1/2	99 1/2	3 0	10	75/-	71/3	10	b	5	Lancs. Cotton Corp. (L...	74/-	74/-	4 1 0
100 1/2	101 1/2	101 1/2	101 1/2	Austria 3% 1933-56-96	101 1/2	101 1/2	3 0	0	24/9	20/9	12 1/2	b	7	Callenders Cable, & Co. 1/	24/-	24/-	4 3 4
100 1/2	101 1/2	101 1/2	101 1/2	Canada 5% 1945-75	101 1/2	101 1/2	4 16	0	43/9	37/6	10	c	10	Crompton Park, A' 5/-	42/-	43/-	4 13 0
100 1/2	101 1/2	101 1/2	101 1/2	New Zealand 5% 1955	101 1/2	101 1/2	4 17	0	84/3	78 1/4	17 1/2	c	17 1/2	English Electric Ord. 1/	83/6	83/6	4 3 9
100 1/2	101 1/2	101 1/2	101 1/2	Nigeria 5% 1950-60	102 1/2	102 1/2	4 17	0	38/9	34/6	5	b	3	General Electric Ord. 1/	37/6	37/6	4 5 3
100 1/2	101 1/2	101 1/2	101 1/2	Corporation Stock	106 1/2	106 1/2	3 4	6	15 1/2	12 1/2	Nil	c	Nil	County of London (L...	14/-	14/9	Nil
100 1/2	101 1/2	101 1/2	101 1/2	Birmingham 5% 1946 1/2	106 1/2	106 1/2	3 4	6	32/9	29/4	4 1/2	b	2 1/2	Gas Light & Coke Ord. 1/	30/6	30/6	4 1 6
100 1/2	101 1/2	101 1/2	101 1/2	L.C.C. 3%	99 1/2	99 1/2	3 2	6	40/-	37/4	5 1/2	b	2 1/2	Stavely Electric (L...	38/-	38/-	4 0 0
100 1/2	101 1/2	101 1/2	101 1/2	Liverpool 3% 1954-64	99 1/2	99 1/2	3 2	0	40/6	39/-	5	b	3	Scottish Power Ord. 1/	40/-	40/-	4 0 0
100 1/2	101 1/2	101 1/2	101 1/2	Middlesex 3 1/2% 1957-62	104 1/2	104 1/2	3 2	3	17/6	15/-	10	c	10	Yorkshire Electric (L...	16/9	16/10 1/2	2 19 0
100 1/2	101 1/2	101 1/2	101 1/2	Foreign Government	100 1/2	100 1/2	4 10	0	25/3	20/1 1/2	7 1/2	c	7 1/2	Austrian 'A' Ord. 5/-	25/-	24/9	5 1 0
100 1/2	101 1/2	101 1/2	101 1/2	Argentina 4 1/2% Stg. Bds.	60	60	4 15	3 1/2	14/9	9/3	4	a	6	B.S.A. Ord. 10/-	13/9	13/9	7 5 6
100 1/2	101 1/2	101 1/2	101 1/2	Brazil 5% Funding Bds.	33	33	4 15	3 1/2	17/4 1/2	11/3	11	c	18	Bristol Aeroplane 10/-	17/1 1/2	17/1 1/2	4 12 6 1/2
100 1/2	101 1/2	101 1/2	101 1/2	Chile 6% (1929) 1914	60	60	4 15	3 1/2	30/9	24/-	3	b	3	Fairey Aviation Ord. 10/-	30/3	29/9	4 0 6
100 1/2	101 1/2	101 1/2	101 1/2	Egypt Unified 4%	86	86	4 3	4	17/10 1/2	11 1/4	17 1/2	b	15	Ford Motors 5/-	71/3	71/3	9 7 0
100 1/2	101 1/2	101 1/2	101 1/2	Portuguese 3%	97	97	3 9	0	7/9	6 1/2	10	a	17 1/2	Hawker Siddeley 5/-	36/3	36/3	2 1 3
100 1/2	101 1/2	101 1/2	101 1/2	Spanish 4%	50 1/2	50 1/2	7 18	6	37/10 1/2	29/10 1/2	10	a	17 1/2	Morris Motors 5/- Ord.	98/6	98/6	4 7 0 1/2
100 1/2	101 1/2	101 1/2	101 1/2	Shipping	20/-	20/-	13/3	Nil	25/6	21/6	6	c	6	Rolls-Royce Ord. 1/	19/6	19/9	Nil
100 1/2	101 1/2	101 1/2	101 1/2	Cunard Steamship Ord. 1/	25/6	25/6	21/6	6	24/3	25/3	6	b	2	Cunard Steamship Ord. 1/	24/6	25/3	4 15 0
100 1/2	101 1/2	101 1/2	101 1/2	Furness, Withy Ord. 1/	25/6	25/6	20/7	5	25/-	20/7	5	c	6	Furness, Withy Ord. 1/	33/-	34/-	4 14 0
100 1/2	101 1/2	101 1/2	101 1/2	P. & O. Def. 1/	21/-	21/-	16/-	5	21/-	16/-	5	c	5	P. & O. Def. 1/	24/6	24/6	4 18 0
100 1/2	101 1/2	101 1/2	101 1/2	Royal Mail Lines Ord. 1/	21/-	21/-	16/-	5	21/-	16/-	5	c	5	Royal Mail Lines Ord. 1/	20/6	20/3	4 18 9
100 1/2	101 1/2	101 1/2	101 1/2	United Castle Ord. 1/	21/-	21/-	16/-	5	21/-	16/-	5	c	5	United Castle Ord. 1/	20/6	20/3	4 18 9
100 1/2	101 1/2	101 1/2	101 1/2	Tea and Rubber	6/6	6/6	11/4	3	10/9	6/6	11/4	3	10/9	Allied Sumatra Rbr. 1/-	6/6	6/6	3 10 6
100 1/2	101 1/2	101 1/2	101 1/2	Anglo-Dutch of Java 1/	28/6	28/6	11/4	3	10/9	6/6	11/4	3	10/9	Anglo-Dutch of Java 1/	28/6	28/6	7 0 0
100 1/2	101 1/2	101 1/2	101 1/2	Kokai (Assam) Tea 1/	14 1/4	14 1/4	10/9	3	10/9	6/6	11/4	3	10/9	Kokai (Assam) Tea 1/	14 1/4	14 1/4	10 10 9
100 1/2	101 1/2	101 1/2	101 1/2	London Asiatic Rbr. 2/-	15/3	15/3	16/1 1/2	3	10/9	6/6	11/4	3	10/9	London Asiatic Rbr. 2/-	15/3	15/3	3 14 6
100 1/2	101 1/2	101 1/2	101 1/2	Rubber Pltns. Trust. 1/	1/3	1/3	1/3	1/3	1/3	1/3	1/3	1/3	1/3	Rubber Pltns. Trust. 1/	1/3	1/3	Nil
100 1/2	101 1/2	101 1/2	101 1/2	United Serdang Rbr. 2/-	62/6	62/6	62/6	2 8 0	62/6	62/6	62/6	2 8 0	62/6	United Serdang Rbr. 2/-	62/6	62/6	2 8 0
100 1/2	101 1/2	101 1/2	101 1/2	Oil	44/4 1/2	44/4 1/2	55/-	5 3 0	44/4 1/2	44/4 1/2	55/-	5 3 0	44/4 1/2	Anglo-Iranian Ord. 1/	44/4 1/2	44/4 1/2	5 3 0
100 1/2	101 1/2	101 1/2	101 1/2	Burmah Oil Ord. 1/	56/3	56/3	55/-	1 16 3 1/2	56/3	56/3	55/-	1 16 3 1/2	56/3	Burmah Oil Ord. 1/	56/3	56/3	1 16 3 1/2
100 1/2	101 1/2	101 1/2	101 1/2	Shell Transport Ord. 1/	72/6	72/6	72/6	4 2 9	72/6	72/6	72/6	4 2 9	72/6	Shell Transport Ord. 1/	72/6	72/6	4 2 9
100 1/2	101 1/2	101 1/2	101 1/2	Trinidad Leaseholds 1/	55/-	55/-	42/-	6 1 2	55/-	42/-	6 1 2	6 1 2	55/-	Trinidad Leaseholds 1/	55/-	55/-	4 2 9
100 1/2	101 1/2	101 1/2	101 1/2	Miscellaneous	49/3	49/3	35/7 1/2	10	49/3	35/7 1/2	10	10	49/3	Assoc. P. Cement Ord. 1/	49/3	49/3	5 3 0
100 1/2	101 1/2	101 1/2	101 1/2	Barker (John) Ord. 1/	30/3	30/3	24	c	30/3	24	c	24	30/3	Barker (John) Ord. 1/	30/3	30/3	3 2 6
100 1/2	101 1/2	101 1/2	101 1/2	Boots Pure Drug Ord. 5/-	48/3	48/3	48/3	4 2 9	48/3	48/3	48/3	4 2 9	48/3	Boots Pure Drug Ord. 5/-	48/3	48/3	4 2 9
100 1/2	101 1/2	101 1/2	101 1/2	Aluminium (Lancs.) Ord. 1/	86/3	86/3	90/-	3 4 6 1/2	86/3	90/-	3 4 6 1/2	3 4 6 1/2	86/3	Aluminium (Lancs.) Ord. 1/	86/3	86/3	3 4 6 1/2
100 1/2	101 1/2	101 1/2	101 1/2	Brit. Amer. Tobacco 1/	72/3	72/3	74/-	3 15 9	72/3	74/-	3 15 9	3 15 9	72/3	Brit. Amer. Tobacco 1/	72/3	74/-	3 15 9
100 1/2	101 1/2	101 1/2	101 1/2	British Oxygen Ord. 1/	68	68	68 1/2	15 9	68	68 1/2	15 9	15 9	68	British Oxygen Ord. 1/	68	68 1/2	15 9
100 1/2	101 1/2	101 1/2	101 1/2	Cable & Wyr. Hdg. Stk.	120/-	120/-	120/-	4 15 0	120/-	120/-	120/-	4 15 0	120/-	Cable & Wyr. Hdg. Stk.	120/-	120/-	4 15 0
100 1/2	101 1/2	101 1/2	101 1/2	Carreras 'A' Ord. 1/	30/6	30/6	31/6	5 1 9	30/6	31/6	5 1 9	5 1 9	30/6	Carreras 'A' Ord. 1/	30/6	31/6	5 1 9
100 1/2	101 1/2	101 1/2	101 1/2	Dunlop Rubber Ord. 1/	16/6	16/6	16/6	3 12 6	16/6	16/6	16/6	3 12 6	16/6	Dunlop Rubber Ord. 1/	16/6	16/6	3 12 6
100 1/2	101 1/2	101 1/2	101 1/2	Elec. & Mus. Ind. 10/-	26/-	26/-	26/-	1 1 9	26/-	26/-	26/-	1 1 9	26/-	Elec. & Mus. Ind. 10/-	26/-	26/-	1 1 9
100 1/2	101 1/2	101 1/2	101 1/2	Gestetner (D.) 5/-	45/-	45/-	45/-	4 8 9	45/-	45/-	45/-	4 8 9	45/-	Gestetner (D.) 5/-	45/-	45/-	4 8 9
100 1/2	101 1/2	101 1/2	101 1/2	Harrisons & Cros. Def. 1/	35/9	35/9	35/9	4 8 9	35/9	35/9	35/9	4 8 9	35/9	Harrisons & Cros. Def. 1/	35/9	35/9	4 8 9
100 1/2	101 1/2	101 1/2	101 1/2	Imperial Chemical Ord. 1/	44 1/2	44 1											

(Continued from page 524)

types of jute yarns, and provides that, in all transactions involving such yarns, spinners must use the descriptions specified in the Order.

Gas Charges.—The Government has authorised the South Metropolitan Gas Company to raise its charges to all gas consumers by 1d. a therm. The increase took effect for meter readings from October 14th. The rise is to cover increased cost of labour and coal.

Pepper Supplies.—The Ministry of Food is arranging quotas of pepper for shipment from India in order to make supplies available to the United Nations and neutrals. Meanwhile, exports from India are restricted to the 1939-40 level, with the ex-

ception of certain purchases made by the Ministry for the United Nations.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Mar. 31, 1937	Aug. 30, 1939	Oct. 14, 1941	Sept. 29, 1942	Oct. 13, 1942
Cereals and Meat	93.0	66.9	102.0	108.1	106.8
Other Foods	70.4	61.1	98.4	105.5	104.5
Textiles	74.2	54.3	94.2	92.9	92.8
Minerals	113.2	95.4	129.8	137.2	137.2
Miscellaneous	87.0	77.6	115.0	121.9	122.0
Complete Index	87.2	70.3	107.4	112.8	112.3
1913=100	119.9	96.8	147.8	155.2	154.5

* Highest level reached during 1932-37 recovery.

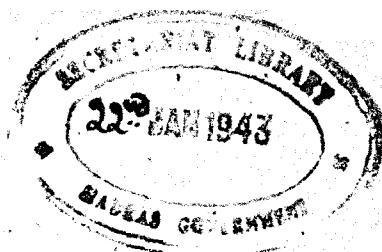
THE "ECONOMIST" SENSITIVE PRICE INDEX

(1935=100)

	Oct. 15, 1942	Oct. 16, 1942	Oct. 19, 1942	Oct. 20, 1942	Oct. 21, 1942
Crops	118.3	118.7	118.9	118.9	118.9
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	142.8	143.2	143.3	143.3	143.3

	Mar. 31, 1937	Aug. 31, 1939	Oct. 22, 1941	Sept. 21, 1942	Oct. 14, 1942
Crops	147.9	92.2	113.1	118.3	118.3
Raw materials	207.3	122.9	170.6	172.7	172.7
Complete Index	175.1	106.4	138.8	142.9	142.9

* Highest level reached during 1932-37 recovery.



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Joint Action

RECENT speeches have played a light on a basic issue of the war—and of the peace to follow: the difficulty that men, parties or nations find, however common their interests, in devising the ways and means of making common decisions and of taking common action. General Smuts has picked out "the United Nations" as the most fruitful conception of modern times. Mr Wendell Willkie has spoken of the pressing need for "global action" now and in the post-war world. Lord Snell has described the difficulty of arriving at agreement in a National Government of all parties on a question so controversial as national planning. Mr Herbert Morrison has admitted both the necessity and the frustration of the wartime party truce. Not many weeks ago, Sir Samuel Hoare summed up the problem. "We shall be wise to take every precaution against the delays and dissipation of effort that have so often frustrated the strategy and tactics of coalitions."

In democracies, wars are waged by coalitions—of parties and of nations. Their aim, no less than that of their foes, is to impose their will upon the enemy. The task is twofold. Ultimately, it is to act decisively: initially, it is to discover a common will and to make decisions in common. The totalitarian way is cruder: Hitler is the Fuehrer, and there are no Allies in German Europe, only satellites. The democratic way, successfully found, is more effective; no underground tides of opposition and resentment are

left to undermine and weaken the common effort. But the superiority of the democratic way in practice is only true if there is a common will which leads promptly to joint decisions and common action. In a sense, the frequent talk about the need for a Supreme Command among the Allies has fogged the issue. Plainly, there must be a single commander of all Allied forces, and of all arms, in each separate theatre of war. Plainly, too, there must be a combined command in each Allied country to ensure that the training, equipment and use of that country's forces in all elements coalesce in a single system. But supreme commanders and combined commands are the executors of policies decided by politicians who, in the democratic mode, have the first and final voice in the making of strategy. The question which has been brought up by these recent speeches is whether the proper machinery for finding the common will of the United Nations has yet been set up and whether the means of making common decisions quickly has yet been found.

Without question, the will of the United Nations to beat the enemy and win the war exists in common. Equally there is a common will to win the peace. The problem is to catch and state this will on specific questions and to translate it into decisions which can then be made active by agencies of combined action. This is equally true whether it is the problem of a Second Front or the problem of war criminals or the problem of peace or the

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 Savings Bank Balances ... 150,553,865
 Note Issue Department ... 71,144,818
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 Other Items ... 19,795,546
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By Order of the Board,
H. J. FLEWITT, Secretary

Office: Cunard Building, Liverpool.
 22nd October, 1942.

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problem of international trade and economic planning that is in question. At bottom, it involves the old issue of national sovereignty which broke the League of Nations from its beginning. It is a problem which will bankrupt the next peace, too, if it is not solved. Actually, the record of this war compared with 1914-1918 is an encouraging advance. No student of the memoirs of the last war can fail to see that in these respects at least—in the coalition of nations, in the coalition of parties and in the coalition of armed forces—the achievement in this war has been better. The astounding thing, to the student, about the last war is that it was won by the democracies in spite of their inability to work together. This time, largely because of the urgency of the world danger and because of the wide views of President Roosevelt and Mr Churchill, represented by Lend-Lease, the Atlantic Charter and the Russian Alliance, the United Nations has become a reality. No less, at home, the contrast between the political animosities of 1914-18 in Britain and the solidarity that has been secured since May, 1940, is a portent.

Nevertheless, the problem remains. There is still cause for anxiety. The democratic way depends upon two conditions. First, there is the determination to discuss and agree rather than to dictate. Secondly, there is the readiness among those who discuss and disagree to accept the view of the others—which most often in wartime is also the exigency of the hour. These two conditions are inseparable. The danger of discussion in search of agreement is that agreement may never be found; a common will may never be interpreted, a common decision may never be written down and common action may never result. In both national and international affairs, these dangers have been present among the United Nations, both in war-making and in the definition of peace aims. It is the fear that coalition has found its expression, in too many crucial matters, in frustration that has inspired speeches like those of Mr Willkie and Sir Samuel Hoare. If the price of freedom is indecision, inaction and agreement merely to differ, then democracy is too dearly bought—and too easily and wilfully sold.

The test in wartime, for a democracy no less than for a dictatorship, is action. The only effective propaganda for the ways of freedom is success in action against the totalitarian aggressors. It is not enough to rely upon the contacts of leading personalities, however freely each may be chosen by his people. The accord between Mr Churchill and President Roosevelt is invaluable. There are personal bonds between, say, Lord Beaverbrook and Premier Stalin or Sir Stafford Cripps and General Chiang Kai-shek. These are foundations. But the real question is whether decisions are being made or action taken by each or any of the United Nations out of step with the wishes or the interests of the others. It is deeply disturbing, as Mr Willkie bluntly said, that the Soviet Union should be dissatisfied with the action and the aid of its Allies, or that Free China should be disillusioned by the small support that has come, at the eleventh hour, to

nourish its five-year fight. The present machinery for making common plans and deciding common deeds among the United Nations is too personal and too sketchy. Neither Soviet Russia nor China has a permanent place in the bodies which decide Allied strategy. Because of the overwhelming weight of American output and supplies in the balance of material power, perhaps too many decisions on the distribution of the common pool have to be taken in Washington; in London, not unnaturally, the British view looms largest; and the view from Moscow, equally naturally, is no less self-regarding. The United Nations tend to think in parallel, not in unison; and the outward sign of this lack of a common system of gears is the search in Russian propaganda for an outside scapegoat and the thrust and counter-thrust of accusations between the sponsors of British and American interests.

All this is meat and drink to the Axis. It is their one firm belief that the democracies cannot act together, and that Soviet Russia will be isolated more by Allied reluctance than by German military prowess. The Japanese believe that the "China incident" will still be settled in their favour for the same reasons. The need is not for Allied statesmen to deny indignantly any gap in their consultation or command. Much more practically, it is to prove by deeds that there is a common will and a common programme. Above all, the situation must be secured where the spokesmen of this or that member of the coalition cannot question the solidarity of the coalition itself.

Only by fitting together now the machinery of joint consultation, agreed decision and common action can the war be won in that measurable time which alone will make victory worthwhile. And only by the same means can a peace be established which will make the war itself worth fighting. In the securing of these ends, the two conditions of democratic action stand first and alone: the need for full and free discussion; and the need for prompt decision, with disagreement dissolved in the readiness of the minority to accept the majority's policy. If democracy means no more than the agreement to differ, the result is futile and fatal; positive action is impossible and frustration certain. The pattern of procedure for the United Nations is the old-style principle of Cabinet solidarity, which in recent times has been allowed to slip sadly from its pivotal position in the British constitution. Once decision has been taken, after discussion and agreement, it must be accepted and acted upon by every member of the consulting body, with the utmost loyalty and a full sense of responsibility by every one. Only by these means, and by world machinery to embody this procedure, can the war be won in battle—and in time. Only thus can the several nations lay their plans for a lasting peace; and only thus, by acting now and not by postponement, can the several parties in each nation will and make together the programmes of security and progress for which every man and woman among their millions of citizens is calling.

fied itself. There is not enough bread nowadays in all Axis Italy to hide the austerity of the times, nor enough sound in all the circus drums to mute the crash of British bombs on its northern cities. A new Battle of the Mediterranean has begun in Egypt. Another and worse war winter is at hand. Most sinister of all, a tightening of the German grip is certain.

The people of Italy are not blind to these facts. There is abundant evidence of their disillusionment. But any easy optimism about their early "collapse" is unreal. The parallel which is persistently drawn with the French *débâcle* is misleading and inexact. In effect, Italy is now a German *Gau*, and as such will be forced to persevere to the end—until Germany itself is beaten or until the Italian *Gau* is captured from the Nazis in battle. Multiple cascade bombing of the plain of Lombardy, and the destruction of Italian divisions in North Africa will indeed have a far reaching influence on German-Italian relations, and on the ultimate future of Fascism. But the Italians are in no position to give in; they have surrendered even the freedom to surrender. The latest RAF raids on northern Italy are links in the strategy of the new Mediterranean campaign; Italy is the *Wehrmacht's* side exit. But their damaging effect on Italian industry is hardly less important. It is mainly in the economic field, in the sphere of supplies and deliveries, that the diplomatic struggle between Rome and Berlin has recently been fought out; and Italy's competence as a hewer of wood for the Nazis is being impaired.

From the German standpoint, Italy has acquired a status scarcely higher than that of Hungary or Finland. The persistent failures of the Italian forces, at sea, on land and in the air, have meant that Italy's main contribution to the Axis cause must be economic. Its most welcome contribution is in the form of seasonal labour, and some 300,000 Italians are to-day working in Germany. The Italian economy can only be run at a profit by Germany in conditions which in no way square with Italian interests or aspirations. It is true that both Mussolini and Gayda place before the Italian people a vision of the Axis in which mutually respected spheres of autarkic influence coexist. Italy, in this pipe dream, is no mere function of German Europe, but destined to be the centre of a Mediterranean empire, including Malta, Corsica and Tunis (the question of Nice is kept diplomatically simmering), and taking in, beyond the Mediterranean, unspecified north African territories, Ethiopia, British and French Somaliland, Lake Chad and Nigeria. The new Italian Empire is planned as substantially self-supporting, to furnish the raw materials on which to base an industry capable of raising the standard of living of the Italian peasant above the near-Balkan level to which it daily more closely approaches. It is a mirage to console the Italians for the loss of the Empire they once had.

At Munich last July, Riccardi, Italian Minister for Foreign Trade, after he had visited Berlin for conversations with Funk and Clodius, filed Italy's claim. He pointed out that a purely agricultural economy in Italy could do nothing to provide a rising standard of living for a growing population. There must be industrial development and access to raw materials. Gayda carried the argument a step further by contending that the solution of Italy's economic and political problems required the interpretation in concrete terms of the respective living spaces of the signatories of the Tripartite Agreement, Germany, Italy and Japan. This question was brought to a head by definite moves on the part of Germany to rationalise and close down Italian industry, against which Italy's claim was a protest.

In two and a half years, "economic collaboration" between Germany and Italy has been pushed to considerable lengths. The coal agreement concluded with Germany in March, 1940, was followed, on the entry of Italy into the war, by agreements for the supply of the other main industrial raw materials in which Italy is notably deficient and of which the country was deprived by the blockade—iron and steel, wood, fuel and base metals. Clodius revealed in Milan last May that, in the latest year for which figures were available, German iron and steel exports to Italy had doubled. These imports have largely kept going the leading Italian war industries in Genoa, Turin, Milan and other smaller centres. Clodius claimed that output had been increased by Italian mining concerns and by the chemical, electrical, engineering and textile industries, and forecast, optimistically, that aluminium production, which was only 11,000 tons in 1935, might be 100,000 tons in 1945-46—if the war lasts so long. To Germany, Italy exports silk, rayon, sulphur, mercury, hemp and bauxite, together with the whole fruit and vegetable surplus. More than 50 per cent of Italy's total trade is now done with Germany. The campaign to make Italy self-sufficient in foodstuffs goes forward unabated, but the gap, even with strict rationing of *pasta* and potatoes and, by western standards, a very low standard of living, is by no means closed. The German solution, put bluntly, is nothing less than a policy of de-industrialisation which will free labour for transfer to Germany or for work on the land, thereby easing the food problem, and at the same time economise the transport of industrial raw materials over the heavily loaded Brenner route.

This policy of "rationalisation," despite Italian protests that more industrialisation is needed and that monopolist concentrations of industry on the German model—and under German control—are unsuited to the Italian economy, is already being carried through. In the middle of September, it became known that the *Carbosarda* mining concern in Sicily and the *Carboarsa* mining concern in Arslia had been merged into the *Azienda Carboni Italiani*. For three winter months, textile

Twenty Years On

LAST Wednesday marked the twentieth anniversary of the Fascist march on Rome. This is a poor time to take stock of Mussolini's achievements during the two decades since he seized power. The anniversary comes when Italy has been at war as an Axis satellite for nearly two-and-a-half years. During that time, the Fascist regime has seen the loss of many of its overseas prizes. It has learned to fear the impermanence of what remains. Independence, it has lost already in the German grip. It is already plain that whoever wins the war, Italy will lose—and will lose far more disastrously than Fascist propaganda claimed it lost in the Treaty of Versailles.

It is hardly surprising that the anniversary celebrations had a somewhat half-hearted ring. A decree of

amnesty promulgated by King Victor Emanuel released some 22,000 prisoners—with the significant exception of those convicted of crimes, however minor, against the nation at war, as well as the normal exception of dangerous and habitual criminals. Social measures announced by Mussolini, headed by the creation of a new civil award, the "War Star for Labour Merit," included more material benefits—the continued insurance of all workers under arms, and an increase by 25 per cent of disablement and old age pensions (the latter concession is estimated to benefit some 750,000 persons). It may indeed be doubted whether these measures and a number of parades—the bread and circuses—are capable of convincing the Italian people that Fascism has justifi-



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factories using thermic electricity are to close to save fuel, while labour in the industry is to be freed by a minimum 32 hour week. In the middle of September, news was published of the amalgamation of four Milan textile concerns, the *Societa Italiana Pirelli*, with a capital of Lire 500 millions, the *Societa Tessili Artificiali*, with a capital of Lire 30 millions, the *Cotonifici Riuniti*, with a capital of Lire 6.5 millions, and the *Societa Italiana Ebanite*, with a capital of Lire 5 millions. The Sardinian electrical concern, with a capital of Lire 150 millions, is reported to be taking over two smaller companies, one in Rome, with capitals of Lire 67.7 millions and Lire 3.75 millions, respectively, while the Edison electricity concern, *Societa Edison*, of Milan, absorbed six smaller companies in September, increasing its capital from Lire 1,600 millions to Lire 2,500 millions. The concentration programme is viewed with considerable concern in Italy, where it is fully realised to be the instrument of German domination.

Thus, the latest RAF raids on the plain of Lombardy are striking Italy at an extremely delicate point. They not only attack the immediate source of Rommel's supplies and impede the output of the great Italian arsenals, the Caproni, Fiat and Ansaldo works; they also weaken the position of Italy *vis à vis* Germany. Any

diminution of Italy's industrial strength has, at this juncture, a diplomatic and psychological significance far beyond the material damage inflicted. The Germans already doubt the profitability of keeping Italian industry running on a large scale. The RAF is increasing this doubt. Simultaneously, the fear among thoughtful Italians is strengthened that a German victory will kill any chance of Imperial greatness, economic prosperity or national freedom.

The twentieth anniversary finds the modern Caesar contemplating the loss of a short-lived East African Empire and many thousands of Italian fighting men, with the certainty of further loss to follow. If the Allies win, the Fascist regime will be finished. If the Germans win, there is an end of Italian independence. Italy is not a partner in the Axis, but a vassal. Caught between German *Mittleuropa* and German *Mittelafrika*, endlessly paying in the exported labour of its people for the right to consume a meagre peasant diet, the place reserved for Italy in the Nazi New Order insults a great tradition. The treatment which Signor Orlando found unacceptable at Versailles, which launched Italy on its unhappy career as a "have not" nation, and Mussolini on his cheap-jack mission, pales beside the treatment prepared for the Duce by the Führer.

The First Hundred Thousand

THE table on page 539, which is compiled from the monthly figures issued by the Ministry of Home Security, shows that the number of serious civilian air-raid casualties—killed, and injured and detained in hospital—now exceeds one hundred thousand. It thus took nearly three years of war to produce a total which, before war broke out, even the soberest estimates expected to be reached within three weeks. How far the wildly exaggerated forecasts of 1939 were based upon the reported casualties in the Spanish Civil War, grossed up in accordance with the scale of a European war, and how far they were the result of German propaganda, designed to frighten Britain into another Munich, will never be known. What has, however, been made clear, after three years of war and two years of air-raids, is that the human body has shown an astonishing resistance to bombs. From the viewpoint of civil defence, it is the building casualties rather than the human ones which have caused the most serious problem. It was not first-aid posts, ambulances, doctors, nurses and hospital accommodation—190,000 hospital beds were made available on the outbreak of war—and still less mortuaries, that were wanted when raiding began. It was food, clothing and shelter for the homeless.

Nevertheless, there have been casualties, a hundred thousand of them—apart from those who have not needed hospital treatment. How far does the state assume responsibility for them? Under the Personal Injuries (Civilians) Scheme, financial assistance is given to the victims and their dependants. A funeral grant of £7 10s. may be paid in respect of a fatal casualty, and death pensions are given to dependants. The latter are placed on the same basis as dependants of the lowest ranks in the armed Forces; widows, over 40 or with children, or incapable of self-support, are given 25s. a week, and other widows 17s. 6d.; widowers are allowed 14s. a week; and for children the allowance is 9s. 6d. for the first child, 7s. for the second, and 5s. 6d. for each additional child. The disability pensions are also based on the rates for the armed Forces. A 100 per cent disabled man, over 18 years old, is given 37s. 6d. a week, though the corresponding rate for a woman is only 27s. 6d. The allowance for a wife, or husband as the case may be, is 9s. 2d., and the children's allowance is 7s. 1d. for the first child and 5s. 5d. for each additional child.

Pensions are only given for serious and prolonged disablement. For other cases, temporary war injury allowances

are made, which vary in amount according to whether the casualty is gainfully employed or not, and is in hospital or not. It is interesting to note that, judged by the number of disability pensions which have been given, the majority of persons injured in air-raids are not permanently incapacitated, either totally or partially. The number of injured and detained in hospital, as will be seen from the table, has reached a total of 55,881; but the number who have applied for and been granted disability pensions is only 9,300. Moreover, one-sixth of this latter total are civil defence personnel, who are also covered by the Personal Injuries (Civilians) Scheme if they receive a war service injury, that is, are injured in any way—not necessarily by enemy action—while they are on duty. They are consequently included in the Ministry of Pensions' total of disabled pensioners, but not in the Ministry of Home Security's total of air-raid casualties; and though their number is probably small in relation to the latter, it can be regarded as an offset to the unknown number of disabled who, for one reason or another, do not apply for a pension.

That only a minority of the injured are permanently disabled is further proof of the resistance of the human body to the effects of bombs. But it also shows the tremendous advance that has been made in recent years in the treatment of the injured. The Ministries of Pensions and Health grasped, before the Chancellor of the Exchequer and the Treasury, that financial considerations are secondary to physical ones, and the official attitude towards air-raid casualties does not end with the grant of an injury allowance or a disability pension, but is mainly concerned with restoring the victim as far as possible to a normal life. The most striking results of this attitude are seen in amputation cases. Civilian war casualties as well as Service casualties are fitted by the Ministry of Pensions with the most up-to-date artificial limbs that modern surgery has devised. The utmost care and patience are taken to ensure that the patient learns to use his new limb as naturally as possible; the cosmetic factor is taken into account; in fact, the whole emphasis is upon normality, upon the ability of the patient to resume his life as an ordinary citizen.

Fortunately, only a minority of air-raid victims are amputation cases. But for the great number of fracture cases also the problem of rehabilitation is present, and if the germ of the national fracture service which has been implanted as a result of air-raids is fostered into a

full-grown service to include persons injured in every kind of accident, it will go far to offset the damage they have caused. In a lecture given over a year ago, which was printed in the *British Medical Journal* of March 28, 1942, Mr R. Watson-Jones stated that 85 per cent of injured members of the RAF were able to return to full duty, mainly as a result of the treatment given in RAF rehabilitation centres, which, though run in close co-operation with the fracture hospitals, are completely separate in atmosphere and in function. Facilities are probably not available for the establishment of similar rehabilitation centres to cover all kinds of injuries, including industrial accidents and road accidents, among civilians; but, in the spring of 1941, the resources of the Emergency Hospital Scheme, including special orthopaedic centres and fracture departments and clinics, were extended to war workers, and the pre-war proposals of the Delevingne Committee were thus in part put into effect.

Rehabilitation includes re-employment, and, again, one of the benefits of air-raids has been to promote co-operation between the Ministry of Labour and the Ministry of Health in the resettlement of disabled workers. A year ago, the Ministry of Labour announced its interim scheme for training persons prevented by disablement—due to any cause—from resuming their normal occupation. Officers of the Ministry get into direct touch with the disabled while they are still in hospital, and discuss with them and their doctors and surgeons the sort of employment they can take up. Allowances are paid, including dependants' allowances, during the training period.

The Ministry of Labour does not pretend that the scheme provides anything like a full solution to the question of resettlement, which is still being investigated. Moreover, as Mr Tomlinson, Joint Parliamentary Secretary to the Ministry, pointed out in last week's

debate on rehabilitation, the scheme's success cannot really be judged in wartime conditions when labour is scarce; any long-term plans must take into consideration the position of the disabled at a time when employers can pick and choose their workers, and are likely to turn down the ex-disabled unless the basis of workmen's compensation is radically changed. There is also the danger that if there is too much concentration on retraining and resettlement, full rehabilitation—the complete restoration of the worker to normal life—will become a secondary matter, whereas it ought to have priority. Nevertheless, in spite of these drawbacks and limitations, it can be said that a national rehabilitation scheme is in process of evolution, and it was air-raid casualties that laid the foundations.

There is a further aspect of air-raid casualties which deserves some comment, and that is the virtually complete absence of "shell-shock" cases and bomb neurosis among the civilian population. Possibly, this is partly due to the fact that, unlike the conditions in which soldiers fought in 1914-18, for the civilian to-day there is no escape from the front line. There is no Blighty in total war. Of even greater importance, perhaps, is the fact that no injury allowances or pensions are given to air-raid victims except for physical injuries, which include injuries to the brain directly resulting from concussion, and cases of shock due to direct exposure to blast, but not sicknesses induced by fear, however heavy the raid. By setting itself against giving pensions in such cases, the Ministry of Pensions has saved money and manpower for the nation, and, by thus refusing to give potential neurotics a motive for illness, has saved them from themselves. Those who sometimes press for a relaxation of this principle should reflect that they are being kind only, in the long run, to be cruel.

The Importance of Being Ernest

THERE is a sense of disappointment among the rank and file of the Labour movement with the performance, compared with the promise, of their leaders. There is a feeling that the part they have played in the wartime coalition has not been commensurate with the opportunities offered, a feeling very much in evidence at the September meeting of the Trades Union Congress and, earlier in the year, at the Labour Party conference. Most of the party leaders, it seems, have gained neither in popularity nor in influence, and Sir Stafford Cripps, whose independence of the party machine first earned him many supporters, has so far signally failed to capitalise his political stock. It is hardly surprising that many hopes should be pinned on Ernest Bevin, the trade unions' strong man and representative in office.

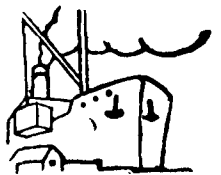
Mr Bevin has the advantage over his colleagues that he has hitherto kept out of the political arena. His early attempts to enter politics were unsuccessful, and until May, 1940, he was *au dessus de la mêlée*, devoting his energies to strengthening the industrial side of the movement, in his capacity as General Secretary of the largest and most powerful trade union. Mr Bevin is neither a politician nor a party man. But he is a partisan. He is first and foremost a trade union leader, with all the qualities and prejudices which characterise British trade union leaders—so much so that he sometimes forgets in the House of Commons that he is speaking as a Cabinet Minister and not as a member of the General Council of the TUC.

May I say on behalf of—perhaps I should not say on behalf of anybody, but I cannot remember that I am here, after so many years in another place (July 29, 1941).

He is in the Government, as it were, *ex officio*, the representative of a powerful vested interest. This dual position has had its disadvantages as well as its advantages. On the one hand, it has enabled Mr Bevin to

work out and carry through an agreed policy of mobilisation with the knowledge of the backing of organised labour. It has also given him the opportunity to introduce measures for improving the conditions and thereby the efficiency of the workers, such as the development of industrial canteens; the organisation of health and welfare in the factories; the establishment of rehabilitation and retraining centres for the disabled; the decasualisation of dock labour; and arrangements for seamen's welfare in the ports—all reforms which Mr Bevin dreamed of long before he became Minister of Labour. On the other hand, his position has often resulted in slowing the tempo of mobilisation. His deep-set preference for exhortation and conciliation has increasingly

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given rise to the accusation that authority and discipline have been removed from wartime industry and not replaced by any other sanction. Admittedly, he has taken extreme care not to tread on any trade union corns. Progress towards total mobilisation has been gingerly. He has relied on "good will and national discipline" and rejected compulsion as un-British. It is fair to say that he has shown equal reluctance in applying compulsion to employers; and the measure of his success, whatever the earlier delays and frustrations, is the extent of mobilisation which has now been achieved and the degree of efficiency in war output which can be maintained in the next critical months.

On balance, Mr Bevin has been the best man for his job. The advantages of his personal link with the trade unions have outweighed the disadvantages. The absence of a Bevin in the United States may make much more difficult the task of mobilising American labour. There can be no doubt, however, that the real test of the loose rein in industry for which he has stood has still to come, in the face of restlessness and war strain; and that, in particular, the Government's inability to evolve a wages policy has been largely due to the wish not to alienate the trade unions. Mr Bevin has expressed his opinion about earnings in no uncertain terms:

I do not care how much you earn so long as you give us the goods. . . . We will pay you, but we want the output (July 5, 1941).

It is because Mr Bevin represents the trade union point of view that he arouses so much resentment among individual employers—though, significantly, he works more than well with most associations. The critics blame him for the friction and dislocation which have arisen in the switching of labour to war production. They see behind every wage claim the sinister hand of the Minister of Labour, using his influence and present position to advance the interests of those whom he represents; the catering employers have described his attempts to set up a trade board as the "thin edge of the wedge." But Mr Bevin, like the Prime Minister, has the quality of toughness—a quality too rarely found in British politics—even if his toughness at times merges into obstinacy.

Unlike the Prime Minister, however, Mr Bevin's fundamental interest is in social reform. And in view of his growing importance in the labour hierarchy it is important to know what his hopes for the future are. They are still vague and sketchy, though very decided. His many pronouncements about postwar reconstruction have been collected in a book, "The Job to be Done" (Heinemann, 204 pages, 8s. 6d.). They are the words of a devoted trade unionist: "the motive of our life must be social security." This aim, he argues, can only be achieved by the establishment of a minimum wage; the guaranteed pay week, introduced during the war, he regards as a possible basis for future security. Equally, his programme includes the extension of equality of opportunity, by means of a wider educational system.

Why [he asks] has the Russian peasant surprised everybody when compared with the Czar's army? It is easy to understand . . . he owns his soil. He is not fighting for a landlord; it is his own, his roots are in it, he owns what he is fighting for. If our country is not big enough in acreage to solve our problems by means of the land, as the peasant countries can, you have to find a substitute, and the substitute is the vested interest of social security within your own state in which all shall participate (August 18, 1941).

He rejects the narrow, nationalist approach:

No country can afford at the end of this struggle to be blinded by its own limited interest, nor can it make its contribution to the future progress of the peoples of the world unless it is prepared to look at the problems of the world as a whole.

The aim, as he sees it, must be to raise the standard of living of the masses internationally, including the colonial peoples; in order to ensure international stability, the world's raw materials and resources must be pooled.

How does Mr Bevin propose to translate these precepts into practice? He is a social reformer *par excellence*—evolution not revolution, ordered development not social upheaval, the round table not the barricade. Indeed, he passionately detests the very idea of revolutionary upheaval. Of the dangers of uncontrolled demobilisation when the war is over, he has said:

I am afraid that at the end of this war you may well slip into the most revolutionary action.

Although he pays tribute to the heroism of the Russians, he makes no secret of his dislike of the system under which they live. In June, 1940, he boasted that he

was one of those who, on more than one occasion, ventured to prophesy that Germany and Russia would come together.

Mr Bevin believes that his objects can be attained by co-operation between employers and employed:

Industrial negotiating machinery has produced the beginnings of an industrial democracy which will, as time goes on, probably take on new and more important functions.

He believes as much as any industrial feudatory on the employers' side in "industrial self-government."

We have promoted on both sides of industry a policy of self government in industry. There has been a gradual changeover to what I think holds very great potentialities, namely, negotiations of a more representative character than the old method of bargaining before the war. . . . Our aim has been to allow the collective bargaining machinery to act as a sort of trustee on behalf of the State. . . . (October 21, 1942.)

This is not the voice of a Parliament man, nor of a State Socialist. There is something ominous about the readiness of producers of all kinds, men as well as masters, to band with one another to secure corporate autonomy. In the next era of politics—as indeed, at bottom, in the last—the tussle will be between, not capital and labour, but producers and the community. And the trade union leaders are more likely to side in specific matters with the FBI than with the general public. True, Mr Bevin believes that the trade union movement which "has now become an integral part of the State" will become the dominant partner. But the Industrial Socialism which he has evolved from his experience of collective bargaining is closer to the New Feudalism of the protective and restrictive thirties than to Liberal Democracy.

May it not be that out of the vortex of this terrible struggle the creative genius of our people will be let loose, and may not there be a great renaissance resulting in a new Britain, freed from the snobbery at one end and the poverty at the other, and that the birth of a higher and nobler civilisation may be a compensation for the horrible struggle, the nightmare and the bitterness and loss of life that Hitler has imposed upon us.

To travel hopefully, said Stevenson, is better than to arrive. Ernest Bevin assuredly travels hopefully; sometimes he travels very much in the same direction as Anthony Eden, Wendell Willkie, Stafford Cripps and many others who have painted a picture of an era of international peace and justice after the war; at other times his road seems even closer to the path trodden by the new industrialists with their "employers' syndicalism." Whether confidence and toughness by themselves, without any very clear understanding of the economics or the techniques of modern society, will be sufficient to carry him to his goal has still to be seen. He has spoken of going back to his trade union as soon as his immediate job, that of harnessing the system of collective bargaining to the war effort, has been completed. Obviously he sees the future more in terms of the workshop and the boardroom than of Parliamentary politics. Many of the Labour rank and file who look to him to stay longer and do more may be disappointed. Meanwhile, the crucial test of his philosophy is whether he can continue to run his branch of war administration on trade union lines and still deliver the goods, without falling into the pitfalls of laxity and laggardliness of which his critics speak so loudly and so insistently.

NOTES OF THE WEEK

Great Issues

Two of the most decisive battles of the war are in progress. Both are crucial clashes in the struggle for communications which is the main feature of total war on a world scale. In Egypt, the Eighth Army has before it, not only Libya and Tripoli, but the Mediterranean gates into Europe and the short inside route from west to east; Germany's Italian door to Africa is a swing-door—it can move inwards as well as outwards. In the Solomons, the battle is for stepping stones, and has reached a crisis. The Japanese have apparently fared better in their thrust to hold back the American counter-offensive than reports in recent weeks had suggested. American air power by itself has failed to throw them off; and, in the use of surface vessels, they may even have shown greater daring and skill than the Allies. If they succeed in restoring their foothold in the Solomons, which is the pin upon which their continued possession of the Pacific chain from Singapore in the first place depends, the war will be not a little longer than has sometimes been hoped. Failure in Egypt, too, would be a disaster, not so much for the new dangers it would invite, but for the great opportunities that would be forfeited. So far, there is no sign of failure. The Allied forces on land and in the air moved forward as one, a great and powerful host; at sea, the fraying of the short Axis supply routes reached a new pitch of intensity. In the middle distance, the bombing of Genoa hit an Axis base vital for the campaign. So far, the progress made has been small. Wedges have been thrust into the enemy's forward defences, and they are being widened for the onrush of tanks. Rommel's bid to save the battle has not yet come; nor has the major Allied charge. Plainly, the enemy is shaken. Plainly too, he is uneasy and outnumbered in the air. But there is still no certainty about the outcome when finally the last action is joined. All that is certain is that, if the Allied forces can win the battle and march strongly westwards, a wide vista of fortunate chances will be revealed, not only in Africa and through the length and breadth of the Mediterranean, but also in Europe itself.

A Desperate Battle

The issue of the battle now being waged for control of Guadalcanal in the Solomons remains in doubt. It would be idle to deny that the Japanese have taken several tricks since their first invasion fleet was beaten off on the night of October 10th-11th. It appears that the temporary withdrawal of the United States naval forces made possible the landing of enemy troops and tanks in considerable numbers. It has been announced that, at sea, they are outnumbered. Significantly, the use of Allied aircraft, despite the brilliant manipulation of carrier-based planes, has not proved sufficient to prevent the re-invasion, and the United States marines in the island have for the moment been forced on to the defensive. To recognise that the situation, despite the gallant fight which the Americans of all Services are putting up and the enemy's heavy losses in all elements, has taken a definite turn for the worse is by no means to despair of the outcome. The Allies still hold the vital Guadalcanal airfield, and have driven back every land attack so far. The events of the past three weeks provide a further lesson in the technique of modern warfare which cannot be neglected. It appears to be as unfortunate to overestimate, as it has hitherto proved unfortunate to underestimate, the usefulness of the air arm. Invasion fleets, in the Solomons or elsewhere, cannot be checked entirely by aerial attacks. To be successful, the defence must control the seas and possess an effective military superiority capable of dealing with the enemy units that land. Air superiority is a *sine qua non*. But it is not in itself a sufficient guarantee of success. It has been clear from the first night, when US marines secured a foothold in Tulagi, that the Japanese would eventually counter-attack in force. The threat to the invader's flank, the check to his further expansion southward, the curb on his freedom of manoeuvre against the Australian bastion, all these combine to make the eviction of the Americans an absolute necessity for the enemy. The Japanese have already paid dearly for their tenacity in the Solomons. But the full price can only be exacted by a clear-cut victory for the Allies on Guadalcanal.

Bombs on Germany

For a brief space, Italy took Germany's place in the headlines of British bombing. But the communiqués of the Air Ministry show that German factories, communications and ports are being bombed much more regularly and with a vastly greater weight of bombs than a year ago. It is not possible to make a precise estimate of the damage done to material and morale. Monotonously, the Germans claim that only residential districts are hit. Casual observers, such as neutral travellers, escaped prisoners of war and foreign civilian workers, report that the people in Germany's bombed areas have been badly shaken; and the speeches of both Hitler and Goering show that the damage done and the effect on German nerves have been greater than they expected. Captain Balfour, Under-Secretary of State for Air, said in a speech a few days ago:—

We hit the German people in two ways. We shake their morale and their faith in the Nazi leaders who have deluded them; and we hit Germany's industrial war effort.

It may be that intensive propaganda and liberal relief measures after particularly heavy raids have so far temporarily localised the effects on German morale; but this can only be temporary.

Material damage [Captain Balfour said] is no matter of opinion. It can be proved by aerial photographs supported by evidence from many sources.

By these tests, the coal output of the Ruhr, Saar and Aachen districts is said to have declined by 80,000 tons a day, or about 29 millions tons a year. If coal output in these districts has been maintained at the level of 1938, this means that bombing is estimated to have reduced it by 20 per cent—a remarkable claim. In the last year before the war, the railways in Germany and Austria consumed about 15 million tons of coal; the effect of the loss of 29 million tons can be imagined. The claim means that, if the supply of coal to war industry and transport is maintained, German households will be almost entirely without coal. Coal mines are targets very difficult to put out of action for long; and the actual targets revealed by the Air Ministry in the Ruhr, Saar and Aachen districts have not been the main coal-producing centres of these areas. The loss of steel output in the Ruhr and Saar area, as a result of bombing, is estimated at 1,250,000 tons, or roughly 7 per cent; and it is surprising that the damage claimed to steel capacity which covers large tracts of ground should be so much smaller than the damage claimed to collieries—especially when, according to Air Ministry reports, the Duisburg-Hamborn-Oberhausen district, where the biggest concentration of steelworks in the area is situated, has been more frequently bombed than any other cluster of towns. Undoubtedly, the effect of RAF bombing, with its new and growing striking power and its novel and terrifyingly effective technique, is great and will be greater. But it is probable that any quantitative estimate of the actual loss of output caused is only less speculative than an assessment of the damage done to morale.

Marking Time

When, curiously enough, the Captain, Gentlemen-at-Arms, replied for the Government in last week's debate in the House of Lords on planning, he began by saying that the nation would not tolerate delay and went on to say that the nation must accept delay nevertheless. The burden of his apology was the difficulty in a coalition Government of getting agreement on controversial matters, together with the hundred-and-one details involved in the Scott and Uthwatt reports, each of which, it seems, has still to be examined and judged by every conceivable Government department. Only one thing seems certain. The Government has accepted the principle of planning. But the Government still has not the remotest idea of what it means by this. It has not been able either to agree upon a planning policy or even to work out the necessary machinery of administration. Lord Reith, who actually set up both the Scott and Uthwatt committees, did a service by calling attention to the barrenness of the land. His main point was that, even if the question of policy had still to be argued out, the machinery could be set up at once. He rebutted the old error that a vast Ministry of Reconstruction was needed to

administer the plans, social, economic and physical, which in fact must be operated by the departments and authorities concerned with the questions affected. But he fell into another and hardly less grievous error. For physical planning, that is, planning the use and development of the land, he advocates a sort of super BBC—a central planning commission, "out of politics." The one piece of machinery that has been set up is precisely the one for which the noble peers spent so much time casting around. The Minister of Works and Planning, if his new title means anything at all, is a Minister of physical planning. It may or may not be the right piece of machinery, but it is extraordinary that its existence should have been overlooked, except in the complaint made by Lord Reith, that Lord Portal, the Minister, and the Paymaster-General have overlapping functions. Of course, the respective statuses of these Ministers are ambiguous. They have been allowed, even encouraged, to drift into a peculiar state of overlapping. Actually, however, there is no reason at all why they should overlap. Rightly, Lord Reith asked, first, for a Minister of high rank to co-ordinate interdepartmental planning, including all the projects which are commonly lumped together under the heading of reconstruction; and, secondly, for an institution concerned simply with physical planning. Sir William Jowitt is a shadowy embryo of the first—too junior and too ill-defined to fill the bill (which might indeed be filled more appropriately by the Lord President of the Council, who already co-ordinates the home departments concerned with a large part of reconstruction) but, nevertheless, a beginning. Lord Portal's Ministry can fill the second requirement; there is no need at all to draw up schemes for some new and needless public corporation. What is really needed, immediately, is twofold: first, it should be made plain that the shadowy outline of Sir William Jowitt is to be blocked in to make a Cabinet Minister with inter-departmental responsibility over the whole field of planning administration. Secondly, in spite of the neuroses of Lord Snell and other Ministers about the prickly question of controversial issues, a decision must be made to make a decision about the points which must be settled if there is to be any physical planning at all: in other words, the recommendations of the Uthwatt Report about the public purchase of development rights in land should be embodied at once in a declaratory Act. Everything and everybody is ready to go; but nothing moves and nobody starts, because the Ministers concerned are still not willing to face the problem of compensation which has broken every effort at physical planning for two generations or more.

Darlan in Africa

Admiral Darlan's journey to North Africa and Dakar seems to have been a routine inspection devoid of any particular significance. It has, nevertheless, given rise to many speculations because it followed closely on the landing of American forces in Liberia and was accompanied by a renewed campaign in the German-inspired Paris press for "joint German-French defence" of *la France d'outre-mer*. Darlan himself was careful not to make any references in his various speeches to the landings in Liberia or to any other military developments in Africa. He confined himself to a general statement about the strength of Dakar's defences, natural enough for Vichy's chief of the armed forces. German and German-inspired quarters have shown some impatience at Darlan's generalities. A German newspaper report says, significantly, that Darlan was surprised when asked about the possibilities of a land attack on Dakar. He replied that Dakar is well prepared for this contingency. Marcel Déat has used the opportunity to claim yet again that the French Empire must either be defended in collaboration with the Axis or perish. The quisling press has reminded its readers that Vichy rejected a Japanese offer

for the joint defence of Madagascar a year ago; the moral is obvious. In contrast to this quisling campaign, neutral press reports have recently emphasised a significant feature of the present attitude of French public opinion towards colonial problems. At the time of the campaign in Syria, it is claimed, the Vichy press was still able to work up genuine anti-British feeling inside France; but attempts to stir up similar resentment during the fighting in Madagascar failed. The experience of another year of collaboration has not been wasted on the French people; they have learned to tell friends from foes.

Off Work

The Minister of Labour has made an appeal to industry which will come, perhaps, as a shock to some industrialists. It is often stated by employers that absenteeism has seriously increased because the old crude sanction of dismissal has been removed in the essential industries. Their case has been that the Ministry of Labour, having, through its National Service officers, taken over powers of discipline and punishment, should use them. Now the Ministry has handed back the responsibility. In a pamphlet just published on the problem of absenteeism the conviction is stated that industrial establishments must look for the solution "within themselves" rather than relying on "extraordinary powers of discipline or punishment." Much of the Ministry's argument as set out in this pamphlet is sound. A great deal of absenteeism is due to wartime conditions of work, diet, travel and home life; and no effort should be spared to adapt the organisation of employment so far as possible to the workers' convenience. It is a human and personal problem, bound up with family troubles, shopping difficulties, the care of children, the preparation of meals, house-cleaning, and so on. In large part, it is psychological; "absence is due primarily to 'feelings' as distinct from 'facts,'" to the sense of depression which, after three years of war, comes and goes in the case of most people, to the lack of direct interest in the job done and an absence of conviction that it is important and urgent. The Ministry's plea for employers, managers, personnel departments, works committees and production committees to do all they can to lessen these causes of absence is timely and shrewdly stated. Nevertheless, there is a basic problem of deliberate absenteeism for which the Ministry's soft answer offers no solution. Absence from work and persistent lateness without reasonable excuse, the pamphlet points out, are direct offences against the law in the case of employment scheduled under the Essential Work Orders. But, it is added, the proportion of absenteeism for which legal proceedings are appropriate is only small. Then comes a surprising sentence: "The great majority of those who absent themselves from work or are late in arriving either have what appears to them to be a good reason or are merely guilty of carelessness or indifference." Thus, the faults which at the front or in Soviet Russia would invite the harshest penalties are dismissed as venial.

Sanctions

The best comment on the attitude of the Ministry of Labour to absenteeism is given in the first paragraphs of the pamphlet. There it is stated that, because no more labour is available, the loss of production caused by absenteeism cannot be made up simply by taking on more staff. It can only be made up by reducing absences and lateness. There is only one test in this matter. Production must be maintained, more than ever during the next offensive phase of the war. If the deficiency due to absences and lateness can be cut down by the methods of propaganda, reorganisation and personal treatment suggested by the Ministry—and there is a great deal that all these methods can do—well and good. If not, there is only one possible course of action; that is for the utmost rigour of the law to be used against the defaulters. In return for its efforts along the lines suggested by the Ministry, industry has a right to expect no workers. Wherever it is engaged, the manpower and womanpower of this country is presumably doing essential work, either in producing weapons or in serving civilian needs. The obligation to root out slackness, implacably, rests upon all workers and all employers, and not upon war industry alone. It would certainly be fantastic, not to say scandalous, for instance, for leisured business men or politicians or journalists to talk sternly about slackers in factories before making sure that they themselves are making the maximum contribution possible during the twenty-four hours of their day.

Quantity and Quality

President Roosevelt has announced that the production programme for aircraft and tanks, set at 60,000 and 40,000 units respectively for this year, has been scaled down numerically. He was quick to add that, in terms of striking power, this change will mean an increase and not a decrease. Tanks and aircraft are to be fewer and better. The importance of securing the most effective compound of quantity and quality was emphasised by Mr Lyttelton when he addressed members of the Institution of Production Engineers in London on Friday last week. The volume of British war production has shown a remarkable expansion; total output of warlike stores is five and a-half times as high as in the first quarter of 1940; aircraft manufacture has been quadrupled and is now "incomparably the largest" industry in the country. The shipbuilding industry is producing a bigger tonnage of vessels than in 1914-18. The position has now been reached, with the virtually full mobilisation of manpower, when the men and women in war industry must be applied more carefully to the machines available in order to secure yet a further expansion in output. Output per man-hour will be bigger when the best machines are employed continuously than when all the machines, good, bad and indifferent, are employed part of the time. Mr Lyttelton's plans for increasing the yield per man-hour will involve a reshuffle which, in certain respects, is analogous to the earlier concentration of civilian industry. War production is to be concentrated on the most efficient plants; inefficient workshops with antiquated machinery will have to close down. One of the most pressing problems which Mr Lyttelton asked the engineers to tackle is that of reducing the interval between the decision to manufacture a new product and its emergence from the production line. It is by the shortening of this interval that quality can be combined most effectively and, in the next "offensive phase" most promptly, with quantity into decisive striking power.

Cool Reception

In a memorandum issued last week, the Leeds and District Chamber of Trade welcomes the intentions of the President of the Board of Trade in so far as his proposals for retail trade are designed to protect the small shopkeeper, to secure the dispersal of stocks, to ensure sufficient supplies for rural areas and to economise transport. But the Chamber doubts whether, in fact, the plans will do this. It is pointed out that the allocation of supplies between large and small retailers will not actually be affected by the plan to allot to each retailer a percentage of his purchases in a datum period. The fundamental problem in the case of pottery, hollowware and clothing, it is argued, rightly, is not the maldistribution of supplies but a general shortage. In the case of clothing, the coupon system already ensures the flow of supplies to the areas of demand. In short, the Leeds Chamber of Trade feels that there is no point in Mr Dalton's proposals; the majority of wholesalers and manufacturers, it claims, are already allocating their supplies fairly and efficiently—and, in cases where investigation shows that this is not so, the policy of the Board of Trade could be applied simply by the issue of directions to suppliers. The fact is, of course, that even the fairest distribution of supplies cannot mitigate the general and inevitable wartime shortage of wares in relation to the number of retail outlets. The crux is that there are too many shops. The Chamber regrets the complete abandonment of a concentration scheme based, with suitable modifications, on the third report of the Retail Trade Committee. The chilly reception of Mr Dalton's proposals by one trade organisation is not necessarily indicative of the general reaction to them. But it is not a good start. True, Mr Dalton revealed only one aspect of retail trade policy on October 13th; the arrangements proposed for the orderly withdrawal of shopkeepers are to be announced by the Minister of Labour; and any final judgment on the Government's retail trade policy must await Mr Bevin's statement.

Clearing the Air

Signs of a hopeful change in the relations between Russia, Turkey and Bulgaria have recently become apparent. Turkish-Soviet relations have been somewhat tense since June, 1941. The fact that Turkey concluded a pact of non-aggression with Germany on the very eve of the German attack on Russia could not fail to influence Moscow's attitude. The Turks, on the other hand, viewed with some uneasiness Russia's intentions towards its nearest neighbours.

Busily, Von Papen and his agents sowed suspicions in Ankara and sought to revive Pan-Turkish ambitions. The climax of mutual misunderstanding was reached during the Ankara bomb trial, in which two Soviet nationals were condemned for alleged participation in an attempt on von Papen's life. The Soviets asked for a new trial, claiming that the Ankara Criminal Court had dealt with the defendants in an unfair and partisan manner. A bitter polemical campaign followed in the press of both countries. But a few days ago Moscow received full satisfaction. The Turkish Court of Appeal has revoked the sentence; and the reasons given for this decision confirms nearly all the charges made previously by the Russians. The case will come before another court, which, it is hoped, will hear it more objectively. The revocation of the sentence, in itself, should help to re-establish confidence between Russia and Turkey, a confidence which Russia has well earned by its strict observance of Turkish neutrality during the difficult period of military operations in the Black Sea region. Simultaneously, some tension has developed in Soviet-Bulgarian relations. The Russian envoy in Sofia has officially protested against an anti-Soviet exhibition opened in Sofia under German auspices. The Bulgarian Government has rejected the protest. Like the Ankara trial, the Sofia exhibition is a symptom rather than the actual cause of the trouble. Bulgarian territory is at present being used by the German forces as a base. Varna, the Bulgarian port on the Black Sea, plays an important part in German operations.

New Chilean Cabinet

Ever since Señor Ríos was elected to the presidency early this year, the democracies have reserved judgment on Chilean policy. The reconstruction of the Chilean Cabinet and the issue of the President's manifesto on foreign policy provide no decisive reasons for changing this attitude. It is generally believed in the United States and Britain that the democratic sympathies of the Chilean governing parties and of the Radical President will ultimately mean a definite rupture of diplomatic relations with the Axis and alignment with the remainder of the American continent—leaving Argentina as the sole exception. The formation of the new Cabinet, which includes the pro-Ally Foreign Minister, Señor Fernandez, in place of the pro-Axis Señor Jara, and retains Señor Morales, who has been chiefly responsible for the institution of police measures against suspected German spies, as Minister of the Interior, is undeniably encouraging. Moreover, the terms of the President's announcement, which proclaimed his intention to align Chile with those "nations of the continent who are ready to defend the great principles of integrity and American solidarity" was couched in strong terms. There appears to be little doubt that President Ríos and the newly constituted executive desire full participation in a policy of continental solidarity. But it would still be premature to suppose that the decisive step will necessarily be taken in the immediate future. President Ríos, mindful of the pro-Axis and neutral sympathies of a large section of the important Conservative party, which is not represented in the new Cabinet, may continue to nurse public opinion as he has done for the last ten months.

The Manpower Squeeze

Everywhere, as Britain's final stages of mobilisation for the offensive are reached, shortages are increasingly felt, and of the three basic commodities—manpower, materials and machines—it is the first which is now most urgently wanted. After three years of the last war, a Ministry of

THE REFORM OF ACCOUNTS

The recent series of articles in *The Economist* on the Reform of Company Accounts has aroused considerable interest; and for the convenience of readers it is proposed to reprint these articles in pamphlet form. Copies will be available shortly, price 6d. The number of copies will necessarily be limited; and readers are advised to apply as soon as possible to *The Economist Newspaper, Limited*, Broadnham House, 15, Lancaster Place, London, W.C.2. (Telephone No. Temple Bar 3316.)

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National Service was set up, linked to the War Cabinet through the War Priority Committee under General Smuts, whose first duty was to comb civilian labour to find recruits for the campaigns of 1918. In spite of the very heavy wastage of manpower, from both casualties and the muddled recruiting and reservation arrangements of the previous years, it found 70,000 men for the Services in the last year of war, though the production of munitions increased enormously. To-day, Mr Bevin announced in the House of Commons last week, the requirements of all three Services necessitate the calling-up of the 18-year-olds, already liable under the National Service Acts; those young men who reached this age between July 1st and September 30th will register on November 7th and many will be called up in December. This step does not, however, affect the minimum age, 19, at which men in the Army are posted abroad. But a possibly more significant measure is the bulk withdrawal of the deferments of younger men in industry. About 50 occupations will lose their young men under 25 years of age, including employees of iron and steel foundries and moulders; gunsmiths; pig-iron manufacturers; certain types of aircraft builders; building trade workers and maintenance men; cycle and motor-cycle makers, repairers and mechanics; and electricians. Even more occupations will lose their men under 30, including those in boot and shoe manufacture; clerical and office staffs; the distributive trades—including food distribution; printing operatives; and railway workers. In cases where the Ministry of Labour agrees a substitute is necessary, the man will not be called up until a substitute has been found. This withdrawal of exemption will not, perhaps, result in a net addition of many thousands to the Armed Forces, but it means that those who are called up will be young and fit, either fighting men or front-line mechanics and repairers. Moreover, since many of the occupations have been hitherto considered essential—and, in fact, in some cases are munition industries—it lends weight to the statements of Ministers and General Smuts that the time for using weapons, as well as making them, is at hand.

Insurance Personnel

The main feature of the Kennet Report on manpower in banking and insurance—a report which noticeably lacks both conciseness and precision—is that its recommendations will not release many additional men or women for other work with the Services. The smallness of the reserve held to be available for release is, of course, due in considerable measure to the fact that it has already been depleted by war calls. But it is also a measure of the Committee's negative and conventional approach to the problem. The services performed by banks, and allied institutions, by stock exchanges and insurance companies are indeed essential even in wartime. But there are degrees of essentiality. If these financial activities were subjected to the same stringent needs test as the manufacture of consumption goods has been, it might still be possible to suggest more drastic economies in manpower. The banking and stock exchange aspects of the problem are discussed on pages 547 and 549. So far as insurance is concerned, the Committee rightly draws a distinction between ordinary and industrial insurance. Before the war the personnel employed in ordinary insurance numbered 70,000, 46,000 men and 24,000 women. In the early part of this year, the total was 54,000, including 25,000 men and 29,000 women; of the men, half were under 18 or over 41, and of the other half 2,500 were awaiting mobilisation; of the women, 2,300 were awaiting call, and the remainder were divided about equally between those under and over 25. The Committee's recommendations for further pruning are three: the elimination of personnel wholly or substantially engaged in the quest for new business; a ban on the transfer of existing business from one insurer to another; and the further consolidation of insurance undertakings at present working as separate entities under the same financial control. It is reported that the insurance companies have already agreed to implement the first two recommendations. Further releases of staff will admittedly be difficult, especially in view of the work involved in the administration of some of the Government's war insurance schemes. So far as industrial insurance is concerned, the Kennet Report is disappointing. A table appended to the Report shows that there has been hardly any reduction in staff since the war; the total number employed last June was 95,000, against 101,000 before the war; the reduction in the number of men, from 88,726 to 51,172, was largely offset by the increase in women employees, from 12,512 to

43,765. The greater part of the total consists of outdoor staff, and, so long as present methods of collecting payments are continued, little economy in manpower is possible.

The Dual System

The influence of the new Archbishop of Canterbury can be traced in the interim report of the National Society on the Dual System in education. Dr. Temple has himself written the foreword, and though the policy proposed is a compromise, as he frankly admits, it is a wise compromise, not a weak one. If legislation is introduced to give effect to the policy, only the most bigoted Anglicans will see it as a victory of the State over the Church. Most people will acclaim it as a wise surrender of vested interest, which will strengthen the Church's position rather than weaken it.

The National Society would . . . be doing no service to the Church or the nation if it advocated a line of action in maintenance of some vantage ground of privilege or established rights calculated to obstruct the general progress of education for the Nation and the effecting of reforms long overdue.

The National Society does not recommend the handing over of all Church schools to the local education authorities, even in single school areas. Its policy is based on the principle that "a Christian foundation is the only and essential basis of real education," a principle expounded in the Archbishops' Five Points of February, 1941. But it approves, wholeheartedly, the Government's intention to improve primary schools and reorganise post-primary schools—which must include the Church schools, too. Nor will it oppose the closure of schools that cannot be brought up to standard. Moreover, it recommends that, where Church schools cannot afford to fulfil the legal obligations in respect of repairs and improvements, the obligation of the managers should pass to the LEA, together with the appointment of teachers. The managers should retain the right to appoint reserved teachers for the giving of denominational teaching to supplement the agreed syllabus adopted by a LEA, which, it is recommended, should be used in all Church schools. The Society would prefer that the head teacher should be a reserved teacher, but, recognising the force of the objection that some 10,000 head teachers should not be submitted to a denominational test, asks instead for consultation between the LEA and the managers in the appointments. These suggestions, and those preceding them in the report, are not, Dr Temple says, what the Church would consider the ideal method of arranging a religious education; but he claims that they are sound and practicable, and if terms such as these are offered by the Government, "it would be most unwise for the Church to hesitate to accept them." Success or failure, however, will not depend solely on the Church of England or the Government, but on the willingness of the other Churches to follow suit.

Two Nations?

It is a commonplace that a luxury, in the popular view, is unnecessary spending by the other fellow. It is certainly true that no one likes to admit that he is financially able to buy luxuries; there is, in fact, an extraordinary coyness about the rich and the well-to-do. From 1931 onwards, but particularly since 1939, there has been a sort of competition among people of the higher income levels to claim that they have reached the poverty line. The social surveyor of a hundred years hence who reads of such statements as Lord Wardington's—that a rich man to-day has no penny left after paying his taxes and commitments to buy a crust of bread—and then studies Lord Wardington's household accounts will be perplexed. This apparent shame in being wealthy was responsible for a passage of arms in last week's House of Commons debate on wages policy between Mr Benson, Labour member for Chesterfield, and one or two Conservative members. Mr Benson, whose contributions to debates on economic and financial policy are invariably refreshing and apt, was making the point that though increases in wages may defeat the wage-earner's own ends, it hardly became Conservative members to demand wage freezing in wartime, when the law of supply and demand works to the advantage of wage-earners, without stopping to think whether it should not apply in peacetime as well—and to all classes of society. In the course

of this speech he made the incontrovertible statement that, in spite of the high taxation on big incomes, the relative standards of comfort of the various classes of society are little changed. But he was immediately challenged by two Conservative members, and in the ensuing exchange one of them—a colliery director, incidentally—first of all made the extraordinary comment that the average miner can afford to buy lots of things which a rich man cannot, and then, when asked directly by Mr Benson whether he would change his standard of living for that of a miner, hid behind the equally foolish statement that his standard of living had changed very much while he saw miners getting twice as much as they did before the war. Does it not occur to people like Mr Wragg and Sir Archibald Southby that their club subscriptions alone—unavoidable commitments?—would keep a miner's family for some weeks?

"It's a very remarkable circumstance, sir," said Sam, "that poverty and oysters always seems to go together."

Mr Benson's argument does not, of course, mean that labour would be justified in doing all in its power to use its wartime opportunity to obtain a permanently larger share of the national income. But it does mean that when the not so poor are compelled to close their country houses—or cottages—dismiss their servants, lay up their cars and decide not to enter their sons for Eton, they might refrain from self-pity and spare a thought for those millions who have not more than a week's paid holiday in a year—if that—even in peacetime, who leave dingy homes to work—if they are lucky enough to have a job at all—an eight-hour day and a six-day week, even in peacetime, whose children leave school at 14 to become a supply of cheap labour. Let them stop pretending that to-day it's the poor that has the pleasure, so its earnings must be controlled—an

argument which is as irrelevant to the economic issues involved as it is false. And let them not be ashamed of being rich, if their wealth has come to them by their own talents and exertions.

Shorter Notes

The following table gives the number of civilian casualties in air-raids since September, 1939:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940.	1,494	1,980	3,474
Sept.-Dec., 1940	22,282	28,522	50,804
Total, 1941	20,863	21,839	42,702
1942:—			
January	114	59	173
February	24	20	44
March	21	13	34
April	987	1,046	2,033
May	399	426	825
June	293	358	651
July	411	871	1,282
August	403	509	912
September	207	238	445
Totals to date	47,498	55,881	103,379

Of those killed in September, 87 were men, 79 were women and 41 were children under 16.

According to a parliamentary answer, Malta had been raided 1,660 times up to October 19th, and 1,069 enemy aircraft had been destroyed. Up to September 20th, 1,386 civilians had been killed and 6,704 buildings destroyed or damaged.

Letters to the Editor

Accountants and Accounts

TO THE EDITOR OF THE ECONOMIST

Sir,—We suggest, for discussion with a view to general adoption, the attached specimen profit and loss account as a suitable minimum for publication.

There has been a great improvement in published accounts in recent years, particularly as regards balance sheets, but many accountants desire further improvements, especially in the form of the profit and loss account.

It is improbable that in wartime any desirable changes can be enforced by statutory means, but we think that much can be done by voluntary action. A good example spreads, particularly in times when the public conscience is awakened.

COMPANY LIMITED	
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 19	
(Comparative Figures Throughout)	
Expenses.	I. Net Sales.
I. Production:	
i. Wages	
ii. Materials	
iii. Works Expenses	
iv. Sub-Contracts	
II. Selling and Distribution	
III. Administration and Management	
IV. Finance	
V. Balance, being Operational Profit for the year B/d	
VI. Taxation Provisions:	II. Operational Profit B/d
i. Excess Profits Tax	After providing for:—
ii. Income Tax	Directors' Fees
(The basis of the reserve being stated, e.g., on profits to date.)	Depreciation & amounts written off
VII. Special Items (Suitably specified) e.g., War Damage Contributions. Non-Recurring items.	Assets
	III. Dividends received from:
	i. Subsidiary Companies.
	ii. Associated Companies. (After deduction of Income Tax)

VIII. Balance, being net Profit for the year	IV. Income from Investments: (After deduction of Income Tax) Sub-divided in accordance with the Balance Sheet headings, e.g.—
	i. Stocks and Shares
	ii. Freehold and Leasehold Premises
	V. Other Current Income (Suitably specified)
	VI. Special Items Suitably specified, e.g.,
	i. Profit on Sale of Fixed Assets
	ii. Extraordinary Income from Subsidiary Companies
IX. Appropriations of Profit	VII. Balance brought forward from last year
i. Reserve Funds (suitably specified)	Deduct:—
ii. Dividends (suitably specified)	Final Dividends
X. Balance of Profit Unappropriated	VIII. Transfers from Reserves (Suitably specified)
	IX. Net Profit for year B/d

Yours faithfully,

F. SEWELL BRAY.
BERTRAM NELSON.

TO THE EDITOR OF THE ECONOMIST

Sir,—I agree that there is considerable room for improvement in the general standard of published accounts. There has been, however, a marked improvement during recent years and I submit that Accountants have been mainly responsible for these forward steps.

I also agree that "the publication of frank, full, and proper accounts is needed in order to disclose the position so that anyone with a modicum of grounding in accounts can grasp the facts."

The impression the article gives me is that the writer blames Auditors for nearly all the defects in present practice. But it is the Directors of the Company who are responsible for the form of presentation of the accounts of the Company and, under existing law, the Auditor has no power to alter one word or one figure in the Directors' Accounts. His only means of effecting improvement in the form of presentation is by persuasion.

It seems to me, therefore, that the general standard can be raised only by some form of compulsion, viz., by an amendment of the Companies' Act and by the Stock Exchanges demanding an adequate standard of accounting disclosure from all companies whose stocks or shares are quoted on the Stock Exchanges.

In the very interesting article on American Accounts

in *The Economist* on August 8th, it was made clear how important has been the effect of the Securities and Exchange Commission upon the standard of disclosure in America. It is stated that the SEC requirements have had:

two advantages, namely that there is an obligation upon all Companies to present what are in effect standardised accounts, and that the obligation is a continuing one. This has meant a gradual improvement in the method of compiling accounts and in the value of the certificate submitted by the auditors. With this view I agree entirely and I submit that as the law stands at present in this country, Auditors are powerless to effect the improvements desired by *The Economist* and all thinking men including those in the accountancy profession.

Pending the introduction of some form of compulsion, the recently formed Taxation and Financial Relations Committee of the Institute of Chartered Accountants has this whole problem under active consideration, and I am certain that I can speak for my profession when I say that Accountants will be found only too willing to help in every way they can towards achieving the objects which *The Economist* has in view.

Taunton, Somerset.

Yours faithfully,

F. R. M. DE PAULA.

[A Note on page 548 makes some comment on these two letters.—EDITOR.]

AMERICAN SURVEY

The Soldier as Citizen

(From Our Washington Correspondent)

October 5th

IN anticipation of the election in November, a good bit has been heard about the soldier vote. Since the Army, by the time election day comes, is expected to number at least 3,000,000 men, a sizeable group of the population will be out of the voting. A small number of those enrolled will be near enough to their regular polling places to exercise their franchise; the rest will be in other states or overseas. A variety of efforts have been made to facilitate voting by troops who are in the United States, but in states other than those where they are registered. In all but four states, laws applicable to the coming elections make some form of provision for absentee voting; in a good many of the states whose legislatures have been in session this year, supplementary enactments have been added with special reference to the armed Forces, including provisions advancing the date of the operation of pre-election machinery (caucus or primary) so that it will take place while more of the men about to be enrolled in the Services are still at home; removing the poll tax as a requirement for Service men; authorising commissioned officers to attest the affidavits of Service men writing home for absentee ballots; instructing the Secretary of State to mail absentee ballots to men in the Service, whether or not they apply; and arranging for the registration of the men at training camps and the collection of ballots there.

That the effectiveness of many of these provisions for absent voting may be slight is indicated by the results in the recent Illinois primaries. Four years ago, of the 2,500 absent voter ballots applied for by Chicago citizens, 90 per cent were used in time to be effective for the election. This year there were 6,000 such applications, nine out of ten of them from Service men; but only 20 per cent of the ballots got back to the polling places by the time the count was made. Movement of troops from camp to camp, combined with the limitation of time between the date when ballots are printed and sent out and the date when they must be returned, reduce the soldier's chance of voting.

A number of Bills on this subject have been introduced into Congress. One proposes that everyone on active duty be empowered to vote by absentee ballot subject to the qualifications of his state for resident voters; another would eliminate poll taxes as a prerequisite to Service men's voting. The only Bill which has so far proceeded through the stage of hearings would provide for an official war ballot to be delivered by the Secretary of State to the Service authorities, who should then provide appropriate

facilities for voting at a date in advance of the election and return the ballots to the states of origin of the men for inclusion in the count.

The Army and Politics

This proposal for the establishment of polling places on military reservations sharpens some far-reaching questions which the war is raising about the relation of the armed Forces to the policy-forming functions of the state. The general assumption current through the country, that the Army is and should remain remote from politics, is rather more than a century and a half old. The Virginia Declaration of Rights of 1776 carried as its twelfth article:

that a well-regulated militia, composed of the body of the people, trained to arms, is the proper, natural and safe defense of a free state; that standing armies in time of peace should be avoided, as dangerous to liberty; and that in all cases the military should be under strict subordination to and governed by the civil power.

This idea was developed in the Second Amendment to the Federal Constitution:

A well-regulated militia, being necessary to the security of a free state, the right of the people to keep and bear arms shall not be infringed.

Until our own time, these articles served as an adequate basis for the relation of armed Forces to the state. The idea of the citizen as his own security came naturally to the coonskin-cap-and-rifle-over-the-mantel period. In the Civil War, the *levée-en-masse* that called 2,213,000 of a population of nearly 26 millions to the colours of the North, and in the South close on a million and a half of a total of just over nine millions (including the slaves), obscured the slow but inexorable part played by preponderance of *matériel* in the struggle. During the years of peace from the war with Spain, when Teddy Roosevelt's swashbuckling Rough Riders continued the vigilante tradition. In the time of economic expansion, the armed Forces were on the very margin of American thinking. So small as to be a negligible percentage of the population, they were regarded, and regarded themselves, as a nucleus for an expansible force of citizen origin. The common public attitude at the end of World War I may be summarised by the resolution on military policy passed at the first convention of the American Legion:

that a large standing army is unnecessary and un-American. National safety with freedom from militarism is best assured

by a national citizen army based on the democratic and American principle of equality of obligation and opportunity for all.

During this entire period, the military part of our society—that is to say the men actually in service—was not a factor in the making of national policy; it was small, neutral, remote. But, from the very beginning of the Republic, ex-Service men have been a political factor, much of the time a factor of great importance. The influence of the Revolutionary officers, organised as the Society of the Cincinnati, did not stop when Washington headed off a potential *coup d'état* in 1783 after their Newburgh memorial had considered the possibility of an "appeal from the justice to the fears of government." Four years later, George Mason, speaking to the question of the choice of the Federal Executive, opposed popular election on the ground that it would

throw the appointment into the hands of the Cincinnati, a society for the members of which he had great respect, but which he never wished to have a preponderating influence in government.

The veterans' organisations of the years following our two other major wars have been among the nation's major lobbies. The Grand Army of the Republic, twenty-five years after the guns of 1861-65 stopped firing, numbered 409,000 members whose political efficiency was attested by a series of laws, State and Federal, bettering the position of the brotherhood. The political efficiency of the American Legion of 1919, though its membership has not included as large a proportion of those eligible as did the GAR (its average has run something around 850,000 and its peak was 1,153,909 in 1931), has been demonstrated by repeated enlargement of the scale and coverage of benefits, culminating in the \$2 billion bonus of 1936. One reason for the Legion's political power as a lobby is the particular make-up of its membership. Of the 853,000 who belonged to it in 1935, a third owned their own businesses, while close on another third were professional men, salesmen, Government workers. This group of occupations reads like a directory of Main Street; it fits local politics like a glove.

The purposes for which the veterans' lobby has been used in the years between wars are relatively restricted. While the Legion has exerted a generally right-of-centre influence, and actively sponsored anti-Communist measures of various sorts, it has by and large exerted its leverage for a rather limited series of objectives—hospital care, insurance and cash benefits in the form of "adjusted compensation," pensions and allowances for veterans and their dependants.

After the War

Now, with World War II, a new group of ex-Service men is in the making. The 4,757,240 who served in the American Forces during World War I amounted to about one in twenty-one persons in a population of 106 millions. Suppose the American effectives in World War II reach 10 millions, that will be one in thirteen persons in a population of 130 millions. These soldiers may have difficulty in voting to-day, but when they return to private life they will form a main body of voters to-morrow. How they vote then will be a main test of the soundness of American institutions, because the issues on which they will be voting will be no less than those institutions themselves.

The veterans' votes of the past assumed a self-operating economic system, whose cash returns were subject to diversion. The concept of security toward which the Veterans' Bills were aimed was, with the exception of the hospitalisation features, a financial concept. During the depression and the recovery, the country's concept of security changed from a financial concept to a concept expressed in terms of goods. Our current experience of war production has still further concentrated our idea of scarcity and plenty on things instead of dollars. The post-war desire for security is therefore likely to centre on the operation of the economic system rather than on the division of an output that is uncontrolled; the choices that are made by ex-military men in their search for security will therefore involve the structure of the state to an extent unrealised heretofore.

Of parallel importance will be the choices of the Service men who are not "ex." The technology of this war has blasted the basis of our traditional notion of the armed Forces. The machines with which it is being fought have abridged to the vanishing point the citizen's right to keep and bear arms—one cannot hang a tank over the mantel or carry an anti-aircraft gun on the shoulder. And the

demonstrated fact that the carefully timed use of *matériel* can be more than a match for the delayed mobilisation of superior resources means that maintenance of a considerable armed force in being, particularly an air force, is to be anticipated for a long time to come. Such a force will clearly have a pivotal position in the state; and to the extent that it is used for peacetime policing it will serve as the implement of an active state policy. What will be its relation to the formation of that policy?

For the United States, and for that matter for all the democracies, here is a major problem in statecraft. The standing armies of the future must not be dangerous to liberty. We do not intend to lose our liberty in the process of mustering the force necessary to sustain it now. That means a policy of cross-section recruitment, of officers as well as men, so that the armed Forces represent the nation and not one segment that might turn against the general welfare. That means a process of education, so that the armed Forces may understand the nature and promise of the society that they now defend and the future order that they will police.

* * *

American Notes

Loyal Opposition

Mr Willkie's broadcast this week was the first outstanding instance of critical appraisal of the war effort, of unquestioned sincerity and ability, which American belligerency has yet produced. There is no lack of critics, either Democratic or Republican. But none has attempted to cover so wide a field or commands so much attention. Some of the points he raised have already been answered by spokesmen of the Administration. Mr Roosevelt has repeated that the Atlantic Charter (so called because it was signed on the Atlantic, not because it applies to the Atlantic only) applies to "all humanity," including the Eastern peoples who, Mr Willkie asserted, are sceptical. Admiral Stark has emphasised the importance of shipping in the opening of new fronts, and Mr Hull has defended the State Department from Mr Willkie's charges that American diplomatic representation, in Asia and Eastern Europe, is inadequate and incompetent. These points, however, were only subsidiary to the main burden of Mr Willkie's message, which was the warning that the United States is drawing heavily on its reservoir of good will in the East. He claimed that this was due, not only to "boasts and broken promises" in the matter of supplies, but also to growing doubt and disillusionment in the countries he had visited about American war aims in the East, and to resentment of the

half-ignorant, half-patronising way in which we have grown accustomed to treating many peoples in East Europe and Asia.

What Mr Willkie had to say about the "tragic inadequacy" of American deliveries to Russia and China will probably not be unwelcome to an Administration which has consistently emphasised the urgency of sending abroad the utmost possible. In his plea for an "orderly abolition of the colonial system" and for the fixing of dates to work for and the provisions of guarantees that the dates will be adhered to, Mr Willkie did not allow himself to be drawn into any open disapproval of British policy. Warned, perhaps, by the *Life* episode, he made it clear that he was not referring to the British Commonwealth but to "remnants of Empire" wherever they exist; and he paid tribute to the millions of British men and women working for the extension of colonial self-government. The United States, he concluded, must play an active and constructive part, with the peoples of all the United Nations, in planning a "global peace" and freeing the world politically and economically.

It is no aspersion upon Mr Willkie's sincerity—which is beyond doubt—to attempt to evaluate his broadcast in terms of his own political future. It would be pointless to welcome the emergence of a "loyal opposition"—a phrase which has been used in the United States—without realising that he is, in the words of one newspaper, "a leader without a team." The old-time Republican leaders, and the machine, are fighting to prevent his leadership of the party, and there are reports that Mr Dewey, Republican candidate for the New York state governorship, has been approached to lead a campaign to oust him. Mr Dewey is said not to be

unwilling if he is successful at the polls. Mr Willkie's policy evidently is to disregard for the time being the party organisation and further to build up his national following. Time will show whether Mr Willkie cannot afford to disregard the usual basis of political advancement. His characterisation of the United States as only 40 per cent mobilised for war, his demand that the Government should match the people's willingness to put more into the war effort, and in particular his attack upon a censorship policy which produces "atrophy of intelligence" and a sense of false security, make together the foundations of a logical and constructive policy of opposition. Whatever ambiguity there may have been about his trip, in which he was said to act for the President and speak for himself, it is plain that, rightly, he has no intention of renouncing any part of the privileges of independence. Much of what he said was not new, but it has never been given such orderly and forceful expression or backed with such personal authority. Mr Willkie may lose the support of the Republican machine; but he will probably more than make up for it by his skilful handling of the role of independent critic and observer.

On the Record

The last two months have set a record for the grasping of political nettles which is all the more remarkable because it took place before rather than after the elections. To a great extent, the initiative has been that of the President and the Administration, but there has also been a perceptible change in the attitude of Congress, which can only be due to a realisation that the country is anxious for more, rather than less speed, in the mobilisation of the home front. The most impressive achievements have been the rationalisation of the rubber situation, in accordance with the Baruch report, which trod on the corns, not only of industrial interests, but also of motorists all over the country; and the creation of a framework for economic stabilisation which had first to reconcile both labour and the farmer to at least some degree of income control. In both cases, Congress could have made difficulties for the Administration, but instead elected—after some heart-searchings—to co-operate at least partially. Although it was freely prophesied that the Tax Bill would not be passed until after November, it is already law. This, with the action on the drafting of 18 and 19-year-olds, admittedly not yet complete, is perhaps the strongest evidence of a change of heart on Capitol Hill. Mr Nelson has followed up his announcement that he would

"act tough" by ordering the closing of gold mines in the face of strong opposition from Western Senators, and has decreed the end of all building construction not considered essential to the war effort. Even the rationing of coffee and of fuel oil show a reliance on the public willingness to accept disagreeable restrictions which is markedly different from the spirit in which petrol rationing was received last spring. The solution of the allocation of manpower is not yet in sight, but the fact that already a number of Bills on the subject have been introduced into Congress, and hearings are being conducted by the Senate, is additional proof of a remarkable burst of national energy.

Shorter Notes

Mr Byrnes, Director of Economic Stabilisation, has arranged with the War Labour Board and the Treasury to bring all salaries under control. The Labour Board will regulate all salaries under \$3,000 a year, and those under \$5,000 a year which are covered by wage agreements. The rest will be controlled by the Treasury. On Wednesday Mr Byrnes issued regulations setting a ceiling of \$25,000 to individual salaries (after taxation). The President has already directed that his salary should be reduced to conform to the limit.

The news that general rationing books will be in the hands of the public by January has been supplemented by the announcement that coffee, America's staple drink, is to be rationed at the end of November. The ration will be one pound every five weeks. This is a yearly ration of just over 10 lb. a year, and compares with an average consumption of 16 lb. a head last year and 13 lb. a head in the ten years before 1941. Mr Henderson has declared that there is no excuse for hoarding, but it is not easy to see why so much time has been given for wealthy consumers to get in stocks.

Tyres in excess of five per car have been requisitioned by the Government, and a schedule of the prices to be paid has been established. All tyres are now regarded as Government property. The requisitioning will be enforced by the withholding of petrol ration books from motorists holding more than five tyres. A record of tyre inspection will be required for any renewal of ration books, and excessive speeds will be punished by the revocation of the petrol ration.

THE WORLD OVERSEAS

The Balkan Satellites—II

(By a Correspondent)

WHEN the Russian campaign started, a genuine holiday mood took hold of the ruling circles of Bucharest and Budapest. The campaign, they hoped, would be a triumphant walk-over. Cheap victories would help to overcome internal difficulties and troubles. In Roumania, the newly-established regime under the Conducator, Antonescu, was confronted with the need to find some tangible compensation for the loss of Transylvania and Dobrudja. The recapture of Bessarabia was a heaven-sent opportunity. And beyond Bessarabia was Transnistria and the great and wealthy Black Sea port of Odessa. All this was vaguely promised by the Germans as a reward for Roumania. The Conducator could at last claim that the period of national humiliation had come to an end, and that a new era of Roumanian aggrandisement had set in. Roumania was, of course, performing a historical mission by regaining the land beyond the Dniester for the "new European civilisation"; and its territorial losses to Hungary and Bulgaria faded into insignificance.

The gains which could accrue to Hungary from its participation in the Russian campaign were less obvious. Hungary had already reached saturation point in the process of aggrandisement. But Budapest was well aware that it

could not afford to rest safely on its Transylvanian laurels; it had to earn them a second time by joining the anti-Bolshevik crusade. While Antonescu hoped to make good in the east the losses in the west, Horthy was anxious to prove Hungary's "right" to retain its gains as well as its place within the new order. Among all the Balkan satellites, Bulgaria was best off; King Boris succeeded in maintaining his territorial acquisitions without having to commit himself too openly in the anti-Russian campaign.

The Balkan satellites were thus linked to the Axis by vested interests. The political opposition to participation in the anti-Russian campaign was nowhere very strong. The political life of all the Balkan countries had been completely shapeless. The backbone of the liberal and peasant movements had already been broken. The influence of the Bratianus and of Maniu had long since disappeared; they were unable to put up any resistance to the establishment of the Conducator's dictatorship. Their supporters were terrorised and demoralised to an extent which made them unable to switch over to any underground struggle. In Budapest, some appearance of a Parliamentary regime has still been kept; but the parliament has been tamed by Horthy, and the present Hun-

Rivalry Over Bolivia

[FROM A CORRESPONDENT IN LA PAZ]

September 22nd

ON September 16th, Argentina's President Castillo and Bolivia's President Peñaranda met on the Argentine-Bolivian frontier. Ostensibly, the purpose of the meeting was to inaugurate the construction of the railway Yacuiba-Santa Cruz. Under the surface of courtesies, however, more serious issues were involved.

The meeting took place at a time when co-operation between Bolivia and North America was being severely criticised by Bolivian public opinion. During their visit to the United States, the Bolivian Ministers did, it is true, secure an increase in the price of wolfram from \$21 c.i.f., delivered in North American ports, to \$22.60 f.o.b., delivered in Chilean or Peruvian ports. But, for the time being, this is the only tangible result obtained. Although the Bolivian Corporation for Industrial Development is to have available a capital of about \$26 millions, only \$15.5 millions will be lent by the United States—of which \$5.5 millions will be for the Bolivian oil industry; the remainder must be covered by Bolivia. Moreover, Bolivia was anxious to obtain machinery with the whole of the \$26 millions, but no definite promises could be given about the date of delivery.

There is also considerable dissatisfaction with the contract Bolivia signed with Rubber Reserve Company. Argentina has difficulty in obtaining the 9,000 tons of rubber it needs in a year. It has consequently shown increased interest in Bolivia's annual output of 1,500 tons, and its offer to pay 7-10 pesos (about \$1.40-2) per 100 kg., compares with the US price of 45 cents. Bolivians are thus arguing that since Bolivian rubber production has no future—because its present boom is exclusively due to the Japanese occupation of Far Eastern producing areas—it is not in Bolivia's interests to initiate a long-term production policy. Rather should it avail itself of the present boom to obtain the highest possible prices. The difference, they say, between the price actually paid by the United States and that which Argentina—and other neighbouring countries—are willing to pay is greater than the \$2,125,000 which the United States would invest for the improvement of Bolivia's rubber-growing areas. In fact, the attacks in the Bolivian Congress on the rubber contract led the Foreign Minister, Anze Matienzo, to resign, although so far his resignation has not been accepted.

Finally, the forthcoming sessions of Congress will witness vigorous attacks on the arrangement with the Standard Oil Company in Rio de Janeiro. At present there is a severe shortage of oil in Bolivia; this is attributed in some quarters to the activities of Standard Oil, which is alleged to be preventing the delivery of machinery which is indispensable if the output of Bolivian oil is to be increased.

In the light of these circumstances, what aim could Argentina have pursued in the presidential meeting? President Castillo certainly tried to obtain the allocation of a bigger rubber quota for Argentina—under the provisions of the contract with the Rubber Reserve, Bolivia places 250 tons per annum at the disposal of its neighbours. But though Argentina's offer was admittedly solely designed to serve Argentine interests, it resulted at the same time in putting difficulties in the way of co-operation between Bolivia and North America.

The meeting was, moreover, a symptom of the growing rivalry between Brazil and Argentina. Both countries are bidding to become the leading industrial and political power of South America. Argentina is at present isolated to some extent owing to its foreign policy. It produces between 2½

garian Prime Minister, Kallay, seems to have had more trouble with the intrigues of his rivals than with any organised popular resistance.

The almost uniform background to this picture was the political eclipse of the Balkan peasant movements. It looked, in fact, as if the peasantry, too, might acquire a vested interest in the new order. True, the German agricultural schemes for the Balkan countries imposed uncomfortably novel methods on the countryside; but they had at least—so it seemed for a time—the merit of providing a stable market for agricultural produce.

The fact that the "walk-over" in Russia has proved to be a costly and protracted war has changed the Balkan picture. The high-sounding official phrases about great national missions stand in sharp contrast to the nonsensical slaughter on the distant Russian steppes and to miseries of everyday life in the Balkans. Great numbers of casualties have a depressing effect upon the spirit of the Roumanians and Hungarians. This has been admitted with a rather surprising frankness by the Hungarian Prime Minister. In a recent message to the Honveds, he warned the wounded soldiers that in spreading despair and defeatism inside the country they were breaking the soldier's oath. He accused them of undermining the morale of the population in the rear, only to reverse this charge in the next sentence and to accuse the rear of undermining the morale of the army. In Roumania, Maniu and Bratianu are reported to have demanded the withdrawal of Roumanian forces from the east. But the Balkan rulers are not free to withdraw from the adventure in which they have involved their countries. New German threats and promises compel them to continue along the path they had chosen. While the Hungarians are menaced with a revision of the Vienna award, the Roumanians are blackmailed with the threat that they may have to cede Southern Transylvania, too, to Hungary. The dream of Roumanian rule in Odessa has ended in an apparent German-Roumanian condominium over Transnistria, in which the *Wehrmacht* is the senior partner. But the maintenance of even this condominium is made dependent on Roumania's readiness to "remain faithful to its mission."

Is the meantime, the Balkans have been "balkanised" more than they have ever been before. The Hungarians are busy in the magyarisation of the former Roumanian provinces; the Roumanians are carrying out the roumanisation of the Transnistria; and the Bulgars are bulgarising Roumanians, Serbs and Greeks. The whole *mêlée* of inflated hostile nationalisms is exploited by the Third Reich to impose its will upon all its satellites and to exact from them more manpower or more agricultural supplies.

Instability Increases

The feeling of relative stability, economic and political, which seemed to prevail in the Balkans a year ago, seems now to have disappeared. The advantage of a steady market for agriculture has been more than offset by the exacting character of German demands and by the general fall in productivity. Black markets have grown enormously. A striking indication of the degree to which the economic structure of the Balkans has been unbalanced has been provided by the Roumanian breach in Germany's trade policy. The official export prices for Roumanian wheat and meat have risen four and four and a half times, respectively. The continental price stop policy of Germany has thus suffered a signal defeat in Roumania, the satellite country which has made the biggest contribution to the war against Russia. In the trade with the other Balkan countries, Dr Clodius has still, on the whole, been able to maintain the price stop at the expense of the home consumer, who has had to pay the subsidies which enable the Balkan exporter to sell at the prices dictated by the Germans. It remains to be seen how long German trade there will remain "inflation-proof" and whether the Roumanian example will not prove contagious.

The peasantry of the Balkan countries is, undoubtedly, a potential ally to the cause of the United Nations. It has never shown any great enthusiasm for the territorial conquests of its rulers; and now it shows many signs of discontent. A second war winter is likely to bring it to the verge of despair. It is still leaderless and helpless. The political organisations have been eliminated, a circumstance which makes it—as a political force—unvocal in the short run, but even more explosive in the long run. It depends on Allied success on the battlefields to what an extent the explosive character of the Balkan peasantry's discontent will turn against Germany.

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and 3 million tons of oil per annum, while Brazil has as yet undeveloped coal and iron basis for an industrial economy. Both countries look towards Bolivia because of its mineral resources—particularly oil, which is especially important for Brazil. The undeveloped oilfields of Camiri and Sanandita in Bolivia are coveted by both countries. These regions are linked to the rest of Bolivian territory by a few highways which are only usable in winter. Brazil consequently made an important move when it began the construction of the Corumba-Santa Cruz railway, to be followed by the construction of another railway from Santa Cruz to the oilfields of Camiri.

Russia at War

Anniversary Eve

IN a few days, Soviet Russia will celebrate the 25th anniversary of the October Revolution. Twenty-five years ago Kerensky's Russia was tottering under the blows of the German war machine and awaiting the *coup de grâce* which was to be delivered to the old regime by Lenin's party at the second all-Russian congress of the Soviets. To-day, the country is again bleeding from terrible wounds suffered at German hands, but it is fighting on with a stubbornness and resourcefulness which it was unable to muster a quarter of a century ago.

On the eve of the anniversary, there is very little of a holiday mood in Russia. There is scant time for anniversary reminiscences either. So far, the jubilee of the revolution has been marked only by the October industrial "emulation" to increase the supply of munitions and foodstuffs to the fronts. There has also been relatively little of the official hackneyed optimism that used to colour Soviet press comments and public statements. Instead, a great deal of matter of fact and frank discussion of the hardships and difficulties experienced in every branch of life has filled the columns of the press. It seems certain that Russia has succeeded in overcoming the dangerous internal crisis which developed during the German advance on the Don and in the northern Caucasus. The battle of Stalingrad has not only saved Stalingrad; it has also hardened and steeled the rest of the country for future trials. Now the attention of the Government and of the people alike is again turned to the great tasks of building up the country's war strength in the distant eastern centres of production.

The last week of October has been proclaimed a week of "aid for Stalingrad." Tank and aircraft factories are working overtime to supply weapons for the heroic defenders of the Volga city. Some of the percentage increases claimed are almost incredible. But throughout Russia the name of Stalingrad has an appeal strong enough to evoke the arms and munitions needed from the factories of the Volga region, of the Urals and of the Asiatic republics.

The confidence which Russia has regained as a result of the battle of Stalingrad recently found expression in a speech by President Kalinin to the Russian village youth:

Our army (he said) is now technically better equipped and better supplied than ever before. . . . This is unprecedented in Russian history. For instance, this is the first time that Russia has ever fought a war in which her army had sufficient shells.

This is certainly not an overstatement. During 1914-17, Russia mobilised no fewer than 18 million men. But at no time did the Russian army then possess more than 3 million rifles; and the Tsarist soldier was frequently given a rifle of his own only when he reached the front-line trenches. The shortage of shells during 1915-17 was felt as acutely as the shortage of footwear. Compared with this, Russia's record in this war has been a supreme achievement. No complaint about shortage of shells has appeared in any front line report during the whole of the Russian campaign, though the Russians have frequently been outnumbered in tanks and aircraft, the decisive weapons of modern warfare.

The Battle for Bread

President Kalinin's speech was very significant in the stress it laid upon the rôle of the younger generation in the country's economy and particularly in "the battle for bread."

The Komsomol and the Pioneers are now the most active and vital part of the population.

The Komsomol has in its ranks young persons from 16 years of age. The Pioneers consist of children below

This move is now being countered by Argentina in the construction of the railway from Yacuiba to Santa Cruz, whose inauguration was the occasion of the presidential meeting. This railway would go east from the oilfields of Sanandita, and would be extended to Camiri. There is no doubt that Argentina views Brazilian penetration with jealousy. Brazil's entry into the war emphasised even more strongly its close relations with the other South American countries, which have lined up in one way or another with the United Nations, and President Castillo can hardly have forgotten that Brazil has announced its intention to avail itself of the war to develop its heavy industry.

the age of sixteen. (President Kalinin gave an indication of the scope of the call-up when he said that only very few men under forty are now left in the villages.) It was to this audience in the teens that the President of the Soviet addressed his mild and persuasive appeal. He asked them not to rush to the towns in search for industrial jobs or for careers in liberal professions; he urged them to stay in the countryside for the duration of the war and to shoulder the responsibility for Russian agriculture.

It is you who in actual fact have to bear the whole weight of the war. The whole of life is before you. When we have routed the Germans—and we shall rout them, whatever happens—it is you who will have to restore what has been destroyed. It is you who will have to strengthen and build our country.

Thus, the President touched upon one outstanding change which is taking place in Russia's outlook in the course of this war. Russia, which has till now been notably a "young country," is in a sense getting even younger. In the trying years of revolution and civil war and the three five-year plans, the older generation exhausted and used up its energies at a great pace and the younger generation, too, matured much more quickly than in other countries. Under the strain of war, the process is being repeated with dramatic speed.

Coal Crisis

Apart from the problems of manpower and agriculture, the coal crisis continues to attract attention. The People's Commissar for the coal industry has just returned to Moscow from his journey to the Asiatic mining centre, the Kuzbass. In a press interview, he drew a reassuring picture of the position in Kuznetsk. He spoke highly of achievements there; the new coal industry was a hundred per cent mechanised; daily output was now 60 per cent higher than it was last spring, and a further 25 per cent increase in output was envisaged for the close of the year. He also disclosed something about the industrial evacuation of machinery and manpower from the Donbass to Kuznetsk. The evacuation of mechanical equipment seems to have been carried out on a massive scale.

Electric locomotives, conveyor belts, mechanical hewers and other machinery are being constructed for the Kuznetsk mines at mining equipment factories evacuated to the east from the Donetz basin.

The evacuation of labour seems to have affected highly skilled miners—judging by the Commissar's statement that "thousands of Donetz miners are working there."

The position in the Kuzbass remains nevertheless somewhat obscure. M. Vakhurshev's reassuring interview has been countered by another statement issued almost simultaneously by no less an authority than the Central Committee of the Communist Party. The Central Committee has acknowledged the achievement of the Moscow coal-miners who have—after the restoration of the pits—surpassed the pre-war level of output by 4 per cent. In contrast to this—

The Central Committee found and made public quite a different state of affairs in the Kuznetsk and Karagande coal basins. A number of pits of these basins have worked considerably worse this year than last year. They failed to fulfil the state plan of coal output.

The statement goes on to charge the regional party organisation with "having ceased to concern itself with coal output" and to announce—in consequence—the dismissal of the first secretary of that organisation.

The battle for coal is in full swing just as the battle for bread and the battle of Stalingrad are; and the outcome of all three battles still hangs in the balance.

German Europe

Controlling Prices

THREE years of war have changed the foundations of the German price-stop system. Time and again it has had to be adapted to new conditions. The result is a mixture of stopped prices, maximum and minimum prices, and state subsidies to hold prices down. Price stability is still the official policy; but it is recognised that complete stability is impossible. German economy has been working ever since the price-stop was decreed in 1936 under conditions of rising costs of production in agriculture, in the coal and steel industry, and most of the substitute industries.

Since the beginning of the war, and particularly since the final concentration of industries this spring, the maintenance of closed down or restricted factories has added another charge. The policy of scrapping whole factories and the remelting of unused semi-manufactures in the metal and iron industry again means higher costs of production. Added to this is the lower efficiency of foreign workers. All these increases could not be counterbalanced by the lower costs of mass production and rationalisation.

Compared with actual costs, agricultural prices are entirely artificial. The premiums paid to farmers for almost every product are either borne by the state or by a system of levies. Premiums paid by the state are estimated at Rm. 1,000 millions annually, or nearly 10 per cent of the total receipts from farm sales. During the first two years of the war, rising costs in the coalmining industry were compensated by increasing export prices. This policy is no longer possible, and the coalmining companies have been asking persistently for a rise in prices. In the iron and steel industry, a war premium is paid amounting to roughly 10 per cent of the original steel price; the cost is partly provided by a levy.

No control can change these hard facts, and even the fictitious price indices showed during the period from August, 1939, to September, 1942, an increase of 8 per cent in wholesale prices and a rise amounting to 10 per cent in the index of the cost of living. Dr Fischboeck decrees reduction where rationalisation and concentration reduce costs. But this field is very narrow, and affects only a small part of total output. The fixed or group price system for armaments has been partially successful in reducing inflated cost-plus-profit prices; and it is now being extended to civilian commodities, coupled with a general attack on cartel prices.

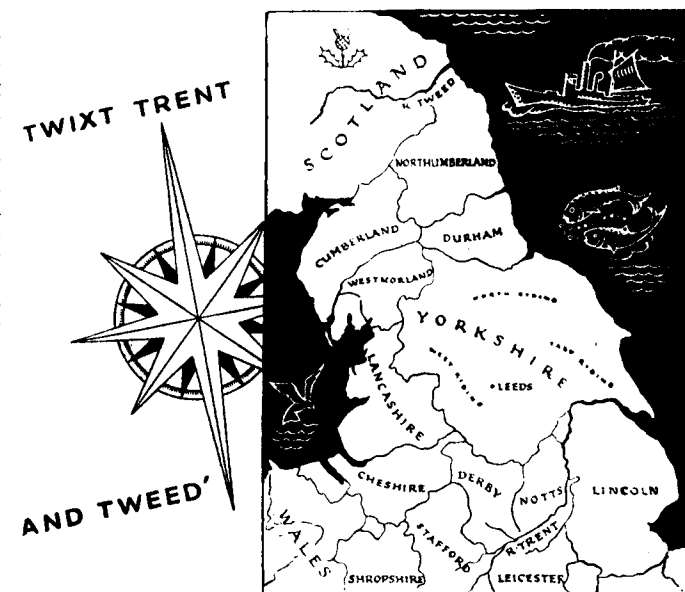
The economic press is divided on this problem. Some critics think that the system of group prices, if extended to the whole economy, would mean complete cartellisation because a group price is actually a price cartel. Others think that it would be better to extend cartel prices to the whole economy on traditional lines. Dr Fischboeck himself has demanded a reduction in cartel prices, and threatened to dissolve all price cartels which maintain the old prices after December 31, 1942. There are signs that Dr Fischboeck and his regional price controllers are no longer able to control individual prices; and the tendency to leave costing and the fixing of prices to the industrial federations becomes more obvious—which will make them competitors of the price cartels, a situation which was carefully avoided when the Nazis built up the compulsory economic organisation.

Price policy is discussed invariably in Germany against the background of the "classic" inflation after the last war. Every now and then suggestions are made to alter price policy so that "overhanging" or excess purchasing power will disappear, or at least be prevented from increasing to alarming proportions. Agricultural circles suggested a general increase of food prices as the best means of mopping up the purchasing power. Industrial circles, on the other hand, want most of all an increase in the coal and steel prices.

European Price Relations.—Disapproval and even alarm about the violent price fluctuations in occupied and dependent countries is growing among the Nazi authorities. In most of these countries, price control is ineffective. The Balkan countries lack the efficient civil administration which is the foundation of effective control in Germany. In western countries, the administration is paralysed by German occupation, and the new economic organisation on the German model, which could provide machinery for

control, is not functioning. European export prices are rising at a greater rate than Germany is able to increase German export prices. The discrepancy between the stabilised exchange rates, once favourable for Germany, and export prices is growing. German prices and those of Italy, Hungary, Bulgaria, Slovakia and Denmark, however, show some stability in their relationship on the basis of special agreements; these countries have either the necessary organisation for the control of prices, or else Germany's share in their economy is so great that stability can be secured for the time being. In these agreements, Germany and the five countries undertake not to increase their export prices.

German circles realise, however, that they cannot stop the general trend in the occupied countries. Various measures are therefore under consideration. The most interesting one is a policy of skimming-off excess export prices, and using the funds accumulated from this policy to reduce import prices; another suggestion is that the State should pay the difference, or that it should be paid by a levy on industry. In France, a special export tax amounting to 9 per cent of export prices has been levied for some time. Germany, however, forced the French Government to reduce this tax from 9 per cent to 3 per cent on all manufactures exported to Germany. Price movements in the occupied countries influence the situation in Germany. Manufacturers frequently demand prices above the fixed maximum because the articles have been manufactured under subcontracts in occupied countries at prices ruling in these countries which usually exceed German levels. The effects of widespread black market activities in occupied countries, moreover, makes most price agreements with Germany illusory. The dilemma is obvious. Germany is unable to supply the material means for the stabilisation of the economies of the occupied countries. Price agreements and a policy of compensation cannot change this fact.



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THE BUSINESS WORLD

Fire Prevention

IN times of peace, when labour and materials are in plentiful supply, the toll of property and materials taken by fire is generally regarded from a financial point of view; fire losses are considered to be a matter between the insurance companies and the insured. In war, however, when labour and materials are scarce, fire losses assume a new significance and become a matter of national interest. The emphasis is shifted from the financial to the physical aspect, for every ton of raw materials and every machine and factory destroyed by fire represents a net reduction, however small, in productive capacity. The chief merit of the paper on fire prevention read by Mr A. S. Hinshelwood, Chairman of the Fire Offices Committee, to the Insurance Institute of London on Monday last week was its insistence on this aspect of fire losses and on the need for a concerted drive to reduce the toll taken by them of national resources.

A vast organisation has been built up to minimise the damage done by air raids. But, as Mr Hinshelwood rightly pointed out, a determined effort must also be made to reduce the wastage caused by ordinary fire losses. Unfortunately, the fire insurance offices do not assemble and publish statistics relating to ordinary fire losses. The only data available are those published by the *Times*, which are somewhat conjectural. According to the *Times*, fire losses averaged £9,316,000 a year during the eight years from 1932 to 1939. They rose to an annual average of £11,447,000 in 1940 and 1941, and during the first eight months of the current year losses, at £9,379,000, exceeded the annual average for 1932-39. It may be argued, not without justification, that the increase in losses is due to rising values and does not represent a corresponding wastage of physical resources. It may also be contended that, in view of the blackout, the rising tempo of industrial activity and other factors, the figures are not unduly high, and that, in any case, they represent only a minute proportion of Britain's total physical assets in materials, plant and buildings. But, even if allowance is made for all these factors, there is no room for complacency.

In Mr Hinshelwood's view, the figures are "a national reproach." The destruction of, say, 1,000 tons of rubber in a warehouse may be a small matter financially, but physically it represents a serious loss which cannot be made good at the present time. The argument of the insurance offices is that a large proportion—some place it at no less than 50 per cent—of fires

originate in some simple, stupid act of forgetfulness or carelessness—a burning cigarette end or lighted match tossed negligently away, inflammable materials thrown unnoticed against electric stoves, electric irons left on and forgotten.

It is contended, moreover, that fires have occurred in factories for which fire-watchers "are known or are believed to have been unwittingly responsible." An investigation recently carried out by nine members of the Fire Offices Committee into the causes of fires believed to be connected with the presence of fire-watchers on the premises showed that there were 80 fires in 1941 and the first half of 1942, of which there was evidence to support that belief—though it is admitted that, since the cause of fire is often consumed in the fire itself, such evidence can rarely be conclusive. And, on the credit side, account must be taken of the fires which have been detected and tackled at an early stage by fire-watchers. On the whole, however, the insurance offices' case "that a large proportion of fires are caused by negligence or carelessness seems conclusive; and in view of their belief that, in the absence of further corrective measures, losses will tend to grow, their emphasis on the need for more positive measures of prevention is justified.

As Mr Hinshelwood pointed out in his address, there are three parties concerned with the problem of fire prevention—the public, the Government and the insurance offices. During the many years of their existence the insurance

offices of Britain have contributed much towards the prevention of fires. In particular, the tariff system of differential rating, built up and perfected during the past 150 years, has led to an appreciable reduction in fire hazard. As long as a hundred years ago, tariffs contained provisions for penalties in rating for dangerous features, such as imperfect party walls, timber stairs and partitions, dangerous lighting and heating, floor openings, unprotected skylights, and so on. Differential rates of premium were even then charged for what were known as fireproof and non-fireproof buildings, and lists of hazardous goods and trades were in existence. The principle of differential rates has since been extended and developed. As a result of their long experience in fire prevention, the fire offices have built up an efficient organisation, and have evolved standards for many technical devices, such as automatic sprinklers and iron doors, invaluable in wartime.

The increase in fire hazards, due to the war, and the passing under Government control of thousands of factories and the greater part of the food and raw material supplies, made it necessary for the Government to collaborate closely with the insurance offices. Early in the war, under the threat of incendiary air attack, Government departments established their own organisations as a means to minimise losses caused by fires. When, with the extension of Government control over material resources, the work of these organisations and of the insurance offices began to overlap, the latter decided to make their knowledge and machinery, which had always been at the disposal of the Government, more readily accessible. In areas corresponding roughly to those of the Regional Commissioners, with special areas for Merseyside and Clydeside, the industry set up technical committees to advise Government departments on fire prevention matters, and to carry out surveys for them. Collaboration grew steadily, and many problems, especially of storage, have been successfully solved by these technical committees. Nevertheless, there are reasons for believing that the Government is not yet making the fullest possible use of the technical organisation and experience of the insurance industry. Mr. Hinshelwood's suggestion that, in the absence of a single controlling authority, serious consideration might be given to the establishment in each department of a responsible officer, charged with the duty of ensuring the provision of efficient fire prevention arrangements in all premises coming within its control, and that still greater use might be made of the experience and organisation of the insurance industry, are undoubtedly sound. It is worth emphasising that the taking of proper precautions against ordinary fire strengthens the power of resistance to incendiary air attack.

But neither the insurance industry, with its differential tariffs and organisation, nor the Government can solve the problem of fire losses due to negligence and carelessness, which, on the evidence of the fire offices, constitute a large proportion of the total toll taken by fires. The fire offices have rightly taken the view that this problem can only be mitigated by making the public conscious of its seriousness at the present time when every ton of food and materials, and every machine counts in the war effort. To this end they have in preparation a nation-wide publicity campaign which has been welcomed by the Government departments concerned—foreshadowing, for the first time in the history of insurance, the launching of a collective publicity campaign.

In sum, the waste of resources through avoidable fires is a running sore which cannot be tolerated any longer. The insurance offices have recognised that, while much can be accomplished by technical improvements and close collaboration with the Government, the assistance of the public must be enlisted to reduce the toll taken by sheer negligence. The only criticism is that the campaign was not launched long ago; but this is a criticism of the Government as much as of the insurance industry, which has now taken the initiative.

Finance and Banking

Making-Up Influences

The money market has, this week, felt the effects of the October making-up, and credit has been in somewhat shorter supply. This, however, is not to say that conditions have even approached stringency. On each day there has been an outlet for bills with one or other of the clearing banks, and though the market has had to take up a substantial amount of bills—at the last tender for Treasury bills it obtained 35 per cent of its larger applications—there has been no need to seek official assistance. It is interesting to note that the clearing banks are endeavouring to place more reliance than before on their bill maturities for window-dressing the positions on their respective making-up days. This can be seen from the increased keenness with which the banks ask for bills maturing on the day in question. The September window-dressing appears to have been up to recent standards. The cash ratio shown in the aggregate clearing bank statements was 10.3 per cent, while the true figure, calculated from the weekly bankers' deposit totals at the Bank of England and the clearing banks' till money, seems to have been about 8.3 per cent. The disparity between the two percentages would thus have amounted to 20.2 per cent, against 21 per cent for August and 18.1 per cent for July. This week's Bank return shows some exceptionally interesting movements. In the first place, the circulation continues its steady, upward course and, helped on this occasion by the usual end-of-the-month influences, has risen by £4,145,000 to the new high record of £847,030,000. Despite this movement and the heavy payments on Treasury bills and TDR's, bankers' deposits have risen by £2,368,000, and at £141,100,000 are at a level attuned to the current window-dressing period. One of the factors helping to explain the resistance of bankers' deposits is the further running down of public deposits by £3,493,000, a movement which has reduced their total to £3,756,000, the lowest figure on record for at least this century. The other active influence in the bank cash position has been a reduction of £3,012,000 in other accounts. Changes in securities cancel out, a rise of £6,892,000 in other securities being counter-balanced by a fall of £6,899,000 in Government securities.

A Treasury Bill Landmark

When the £85 millions of Treasury bills, issued by tender this week, have been taken up, the outstanding amount of Treasury bills issued through the weekly tender will have reached £1,000 millions. This landmark in the history of the Treasury bill issue gains emphasis from the fact that on the outbreak of the war the corresponding figure stood at £500 millions, and the total of such bills will have exactly doubled over the intervening three years and two months. At the same time, the total Treasury bill issue has risen from £1,118 millions to £2,693 millions (this latest available figure being that for September 30th, and it follows that the Treasury bills issued through the tap have, since the beginning of the war, almost trebled. The larger relative and absolute increase in the bills issued through the tap is not surprising. In the first place, it is from this source that the requirements of public departments are fed. Among these, one of the most important is the issue department of the Bank of England, and the increase of £300 millions in the fiduciary issue probably finds its main counterpart in an increased issue of tap Treasury bills. In addition to satisfying the requirements of public departments, the tap is also the source from which certain, but not all, of the Empire central banks are fed with Treasury bills. The weekly issues of Treasury bills by tender include some semi-official applications, including those from the banking department of the Bank of England. It should be noted that whereas the total of these bills will have doubled between September, 1939, and the end of next week, the clearing banks' holdings of bills actually showed a small drop of £2,500,000 between August, 1939, and September, 1942. Even allowing for a considerable diversion from commercial to Treasury bills in the banks' portfolios, it is evident that only a small part of the increase in the tender issue of bills has gone to the banking system, and that the bulk of it must be represented by applications of a more or less official character.

The Banks' Ten Thousand

The really important recommendations of the Kennet Committee on the release of manpower from banking are to be found in section 20 of the report of the first of the sub-committees. This section suggests that the clearing and Scottish banks (which between them account for about three-quarters of the manpower under review) should immediately be required to operate with 90 per cent of their pre-war staffs and that this reduction should be carried to 85 per cent by next March. These institutions employed 75,287 people at the outbreak of the war, and that figure has since been reduced to 73,976, with, of course, much greater changes in the sex and age distribution of the staffs. To cut the overall numbers to 90 per cent of the pre-war total will mean liberating some 6,000 people, and by next March, when the banks will be working with 85 per cent of the pre-war total, that release will have grown to about 10,000. As these banks have, since the outbreak of the war, achieved a net economy of staff amounting to 1,300 only (and that over a period which has witnessed an average 15 per cent closing of branches) it will be seen that the task facing the banks in complying with the recommendations of the Kennet Committee is not small. That it can be accomplished is implied in the fact that this, most momentous of all the Kennet recommendations, was made on the initiative of the banks themselves. The committee makes many suggestions designed to achieve this economy of staff—some of them of uncertain value, as, for example, the elimination of checks and counter-checks, which might well lead to the loss of more man-hours chasing errors than those now devoted in maintaining the high standard of accuracy.

Branch Telescoping

For banking, the basic recommendation of the Kennet Committee, however, is that "concerning the closing of branches. If this is to achieve anything like the required economy of staff, it must proceed on more co-operative lines than those which have marked progress hitherto. That may mean inter-bank telescoping, a subject so charged with difficulties that the committee have shirked even mentioning it. It is on the possibilities of further closing of branches that the recommendations of the committee stand or fall. The other suggestions made in the course of the report amount to very little. Centralised bookkeeping may economise some staff and keep machines fully employed in large centres, where the work of several branches might be handled on the machines of one office, even if night shifts have to be worked. But this reorganisation of book-keeping systems would take time to get into its stride and the consequent economies of manpower would be modest. The reduction of services rendered to the public, including shortened banking hours, may also release a small proportion of personnel. That might well be true of the suggestion that large firms be encouraged to pay smaller salaries in cash rather than by cheque. Such a course would admittedly save some of the clearing work, but it would increase the work involved in receiving and transporting currency. It might even cause an increase in the demand for currency sufficient to require additional minting of copper and silver coins, with a resulting waste of labour and materials. The problem of labour in the banking industry must not be viewed *in vacuo*, and, in some respects, the Kennet Committee have, perhaps, fallen into this error.



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As for the rest of the banking system, little is expected in the way of further manpower release. The Bank of England has increased its staff from 3,529 at the outbreak of the war to 4,194, but its work has been so swollen by the Defence Regulations (the Exchange Control alone employs 1,164 people) that the growth in numbers is hardly surprising. The trustee savings banks will release some 70 men of military age now deferred. The discount houses have reduced their staffs from 317 to 177. The accepting houses' staffs are down from 2,940 to 1,499. The scope for manpower economy in these specialised fields is thus restricted in the extreme. In all these directions, the best means of achieving the required further concentration is for the deferment of men of military age to be reviewed with greater regularity and severity than have hitherto been exercised.

Banks and Trade Terms

An interesting decision given by the Court of Appeal last week defines, with a precision which will be welcomed in all banking circles, the degree to which paying banks should be conversant with the terms of trade in various commodities, when honouring drafts drawn in conformity with letters of credit opened by them. The case arose out of a sale of Indian ground nuts by J. H. Rayner and Co., acting for undisclosed principals, to buyers in Denmark. The payment was to be made by a credit issued by Hambros Bank on the instruction of a Danish bank. Denmark was

invaded by Germany before the goods could be delivered. These goods were seized by the British Government and sold—at a loss—in South Africa. When the bill of lading was presented to Hambros Bank in London, it was found that it did not correspond with the wording of the letter of credit. The latter authorised payments of drafts against the shipment of "Coromandel ground-nuts in bags." The bill of lading, for its part, referred to "machine shelled ground-nut kernels." In view of this discrepancy, Hambros Bank, unable as they were to get in touch with their customer in Denmark, refused to honour the draft, though they had ample funds for the purpose. On the first hearing in a lower Court, judgment had been given for the plaintiffs by Mr Justice Atkinson on the ground that the two descriptions of the goods in question would be regarded as identical by the trade and that, in refusing to pay, the bank had broken its obligation under the credit. This decision was reversed in the Court of Appeal last week. It was contended by Lord Justice MacKinnon that "it was quite impossible to hold that banks must be affected with knowledge of the customs of the various trades in which their customers might be concerned," and that the bank was entitled to refuse payment on the ground that the documents did not precisely comply with the conditions on which the credit was granted. The case is of special character, since in normal times any slight hitch of this kind would be cleared up in a matter of hours by cable or telephone. But the clear definition of the banker's duty in such matters is of more fundamental importance than is implied by the unusual circumstances that led to this particular case.

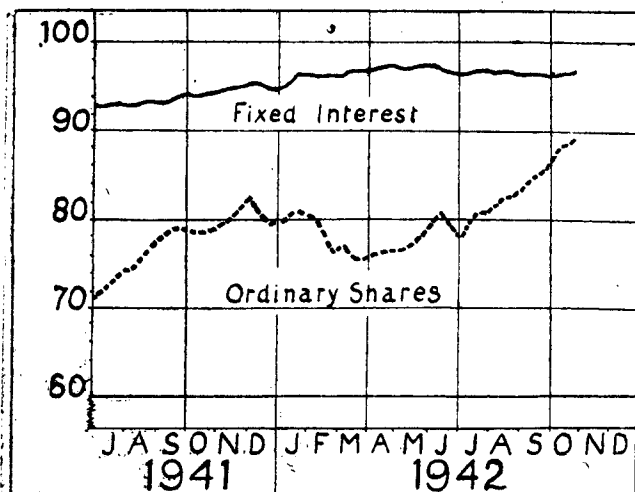
Investment

Equity Yields

The index of *The Financial News*, reproduced on the accompanying chart, shows a further rise of some 3.7 per cent for equities over the past four weeks, and one of rather under 0.5 per cent in fixed interest securities. The former figure understates the position in that it takes no

FIXED INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935=100)

Financial News indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares



cognisance of some of the sections, such as foreign bonds and railways, which have played a very prominent part in the recent rise. The subsequent remarks, therefore, apply to only a limited section of equities, and exclude altogether

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FOR ALL CLASSES OF INSURANCE

Reform of Accounts

Of a number of letters received in connection with the article, Accountants and Accounts, in *The Economist* of September 26th, two appear on pages 539 and 540. Any statement of Mr de Paula must be given great weight, both on account of his wide experience, and because he is one of the most energetic and successful pioneers of informative accounts. There is no doubt that the legal position is as stated. Extra-legal action is, however, the only means of securing a rapid change, such as seems to be called for. We would repeat our suggestion of joint action among auditors. It is still possible that an approach to the problem by the profession as a whole would have results which the attempts of individual auditors, to overcome the conservatism of the average board, have failed to produce.

The authors of the second letter are also well-known protagonists of reform. The profit and loss account which they submit contains almost everything which would appear necessary in the case of the ordinary company. Total expenses—item 1—presumably give the true factory cost of the product, which it is desirable should be known. It will be noted that the authors balk at stating total remuneration of directors. A good deal has been made of this at various times, but a more useful figure would be a special item for all service contracts as part of administrative charges. Alternatively, it might be made obligatory to provide a statement, in general terms, of any special charges against profits for such purposes. Under the heading selling expenses, it would in some cases almost certainly be desirable to give the cost of advertising as a separate item, unless it proved the case that the object of this particular disclosure could be secured more easily in other ways. Subject to these comments, and the supposition that additions to, and drafts on, reserves are sufficiently informative, the statement gives all that can be expected from a profit and loss account. Its general adoption would be a tremendous step forward. As to balance-sheets, the improvement over the past twenty years has been great in many, but most still fall short of what is desirable. It is, however, evident that our correspondents' desire for reform, if it starts with the worst feature of accounts as now published, does not stop there.

Kennet Report Effects

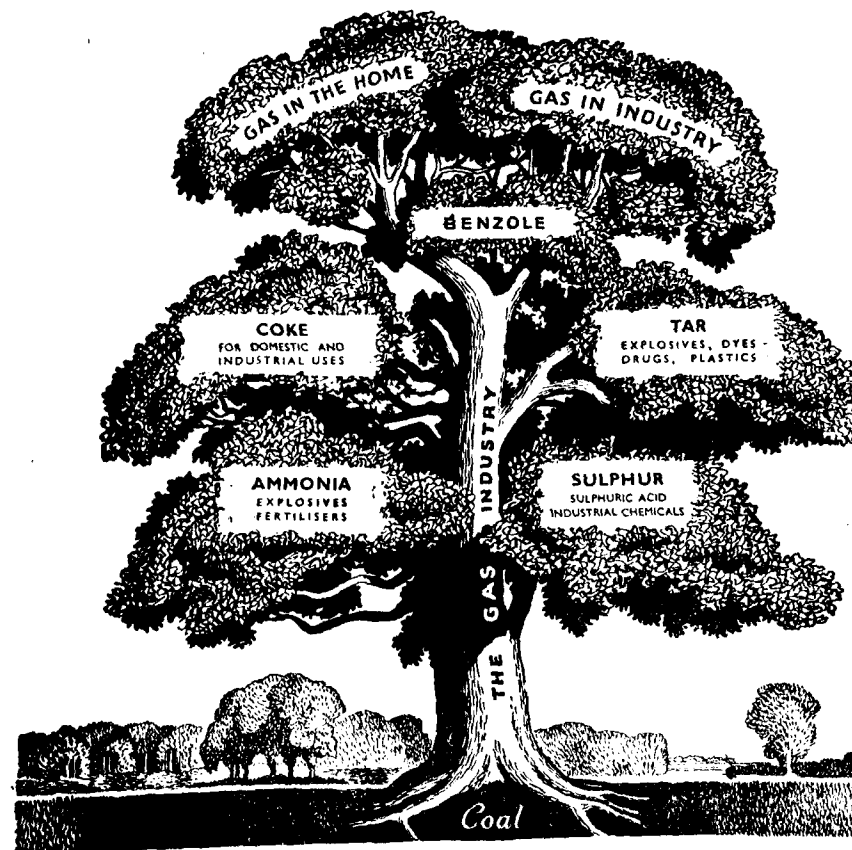
Comment on the banking and insurance aspects of the Kennet Committee's report appears on pages 547 and 538. So far as the Stock Exchange is directly concerned, it has gained the official recognition of its utility. On the question of manpower, the report gives it one paragraph which, in substance, says that, in the general release of staff, individuals, firms and the institution itself have done all that could be expected, and that no further special measures are necessary. Similarly, the process of amalgamation can be left to the force of competition operating in the context of wartime charges and duties. There are, however, two matters which concern the market indirectly:

the project for closing the banks at 2.30 instead of 3 p.m., and the injunction to these bodies not to go out after, *inter alia*, investment business. It is not easy to say what effect the latter will have on the actual volume of stock exchange business passing through their hands. Brokers have always maintained that, on a large amount of business coming to them from this source, the expense incurred was not covered by the net commission received. If there is any appreciable change in practice, they will have the opportunity to test the truth of this belief. The recommendation that the banks should close half an hour earlier, if implemented, will presumably make no difference to the normal working day of the market. It has already emancipated itself from the habit of making its hours of opening conform to those of banks. It will, however, affect, as has been the case before, the ability to accept and deliver stock. Presumably, the hour up to which stock must be accepted will be made earlier, either by the whole thirty minutes or, possibly, by half as much, and this will mean, unless posts can be expedited—a long-standing grievance, about which it seems nothing can be done—that more stock will be held over until next day. This will mean a further slight delay in the average length of time taken to settle bargains, but it is a drawback which the investor must be prepared to accept, since it appears that earlier closing to the public will help to economise banking staffs. One thing the trustees and managers might do—namely, institute a system of "aircraft overhead" warnings as the criterion for closing the House, instead of emptying it on every alert—an astonishing relic of 1939-40.

Cunard Payments

The announcement that Cunard Steam Ship is to pay off eleven years' arrears of second preference dividend ought not to have caused any surprise. Sir Percy Bates announced his hope to effect this repayment at the annual meeting in April, and it was evident that, unless the profits of 1942 were much below those of 1941, the payment ought to have been possible. Unfortunately, in the absence of accounts

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The gas economies you make at home will release more gas for the war factories. Remember that gas, as well as its by-products, is vital in the Battle for Fuel—so play your part and SAVE GAS.

BRITISH COMMERCIAL GAS ASSOCIATION,
LONDON, S.W.1 (1)

October 31, 1942

for the operating companies, it is impossible to know what past earnings really were, let alone what the near future will be, while Sir Percy's statements suggested that he was very uncertain about post-war prospects. For all these reasons, it is rather surprising that the 6 per cent second preference shares should have risen from 138 to 151 on the news, while the first preference rose three points to 101½ and the £1 ordinary some 2s. to 21s. 9d. The explanation advanced for the high level of the second preference is that they are held by those who pay income tax on profits, not dividends, so that the arrears payment is worth more to them than the figure of 33 points net. This is supported by the fact that the ex dividend price is 106, giving a yield of £5 13s. 1d. per cent. This yield appears to presuppose a continuance of profits well above recent pre-war years for a considerable period, while the price of the ordinary, now 21s., points to the same attitude. Even if, at the moment the war ends, shipping is still in short supply, productive capacity will be tremendous, and it is probable that a supply will arise which will be surplus to normal post-war requirements. Much of this will be unsuitable, and the general process of readjustment to post-war conditions is likely to be as difficult for shipping as for any industry.

* * *

Celanese Development

The meeting of Celanese second preference holders rejected the revised scheme on a show of hands and, a poll being demanded, the meeting was adjourned to November 6th. The board had made a minor concession by raising the rate payable on the funding certificates from 4 to 5 per cent. This is, however, considered insufficient by the Shareholders Committee, and there is no reason to suppose that the Association of Investment Trusts is any more impressed by it. While the concession raises the value of the certificates, it fails completely to meet even the first requisite of such a scheme, namely, that provision should be made for rapid redemption of the certificates, placed clearly ahead of payments to the equity holders. It was, therefore, to be expected that independent holders of the second preference capital would reject the scheme. It is to be hoped that the committee will continue to urge the need for conservative policy, which is rendered the more necessary by the past history of the undertaking. Apparently the company has no intention of disclosing its EPT standard, pleading reasons of security; it thus remains impossible to form a reasoned judgment as to the best form which the offer to the preference shareholders should take.

Company Notes

Murex Accounts

The Murex accounts for the year to June 30th last show a moderate rise in total profits after depreciation from £587,013 to £629,368. The chairman, Mr George P. Joseph, points out that ARP and war damage insurance have also been charged directly to trading profits. The improvement is more than outweighed by a rise in tax liability from £370,000 to £421,500, while the directors have decided to allocate £25,000 to obsolescence reserve, which has received no contribution since £50,000 in 1938-39. There is a consequent fall in the available surplus, and the 20 per cent total payment on ordinary capital is covered by a rate of some 35.0 against 41.9 per cent. This calculation assumes that the amounts reserved against advances to a subsidiary will not be required. It is still possible to transfer £50,000 against £75,000 to general reserve, and to increase the carry forward from £107,145 to £115,339.

Mr Joseph defends the company's conservative distribution policy on the grounds that considerable funds will—as is undoubtedly the case—be necessary for reconstruction in the post-war period. He draws attention to the satisfactory development of the important subsidiary, Murex Welding Processes, and in particular to the potentialities of electrical welding. The consolidated statement shows a rise in net liquid assets from £498,497 to £538,755, for which a jump in stocks from £598,767 to £920,621 is largely responsible. There is a decline in the total of consolidated cash holdings and trustee securities of some £70,000. The company's balance sheet shows net loans to subsidiaries of £201,551

against £135,270. Consolidated depreciation allocations, according to the chairman, amount to £66,337 against capital expenditure of £166,402, while total reserves and

	Years ended June 30.		
	1940	1941	1942
Total profits after depreciation	534,987	587,013	629,368
Obsolescence reserve	—	—	25,000
Taxation	302,353	370,000	421,500
Other expenses	8,579	5,791	4,174
Preference dividends (gross)	3,500	3,500	3,500
Ordinary shares:			
<i>Earned</i>	220,555	209,722	175,194
<i>Paid</i>	118,750	100,000	100,000
<i>Earned %</i>	37.6	41.9	35.0
<i>Paid %</i>	20	20	20
General reserve*	87,242	106,000	67,000
Carry forward	103,423	107,145	115,339

* Including 2½ per cent. cash bonus.
 † Including £50,172 reserve for investments in enemy occupied territory in 1940; £31,000 and £17,000 reserve against advances to a subsidiary in 1941 and 1942, respectively.
 ‡ After deducting £1,307 loss on sale of investments.

Thomas W. Ward

Despite a fall of some £11,000 in total profits, after tax, for the year to June 30th last, the equity surplus earned by Thomas W. Ward has been substantially maintained. Depreciation absorbs some £2,600 less at £49,008, other charges being relatively unchanged. Equity earnings, at £88,717 against £95,893, represent a fall in the rate of only 0.3 points to 16.1 per cent, so that it is clear that higher tax liability is mainly responsible for the apparent setback. The 11½ per cent dividend paid for the past three years is amply covered, the transfer of £25,000 to reserve—bringing the total of the fund to £175,000—is repeated, and the carry forward raised from £126,048 to £127,890.

	Years to June 30.		
	1940	1941	1942
Trading profits*	185,293	186,098	177,945
Total income	193,171	194,845	183,892
Depreciation	55,036	51,625	49,008
Staff funds	5,000	5,000	5,000
Preference divs.	40,625	38,594	37,500
Employees' divs.	4,077	3,733	3,667
Ordinary shares:			
<i>Earned</i>	88,433	95,893	88,717
<i>Paid</i>	74,250	64,969	61,875
<i>Earned %</i>	13.3	16.4	16.1
<i>Paid %</i>	11½	11½	11½
To reserve	—	25,000	25,000
Carry forward	120,123	126,048	127,890

* After works expenses and taxation.

The relative stability of the net surplus is clearly due to an expansion in turnover. It is in any case clear that a concern engaged in general engineering and quarrying is likely to have handled more business last year, and the Thomas W. Ward balance sheet, with a rise in debtors from £1,162,222 to £1,364,595 and a decline in cash holdings from £165,116 to £151,204, confirms this impression. Stocks are some £78,000 higher at £618,543 and, since there is a contraction in creditors from £1,158,616 to £1,442,920, net liquid assets show a modest increase. In all the circumstances, the results are satisfactory, and there is little fear that the current rate of dividend will fail to be earned in the near future. The £1 ordinary shares at 33s. 9d. ex dividend yield £6 13s. 4d. per cent.

Harrisons and Crosfield

The rise in net profits of Harrisons and Crosfield of some £63,500 to £413,656—an all-time record—in the year

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to June 30th last is the more remarkable in that it is earned after complete provision for taxation in all countries where the concern has interests. The directors state that £107,583 loss on sale of investments has been written off direct from tax reserve no longer required. The allocation of profits over the past three years is analysed in the table below. The directors are wisely transferring £250,000 to war contingencies and drawing the £26,250 required for the payment of 5 per cent dividends on management and deferred shares, against 25 per cent on the latter in the two previous years, from dividend equalisation account, which received £50,000 in 1938-39. On the assumption that the transfer to war contingencies will in fact be required, equity earnings amount to 4.9 against 27.0 per cent. The striking improvement in earnings in a year, more than half of which saw the onset of Japanese aggression, is due, as Mr H. Eric Miller pointed out, to the spread of the group's interests—which is much greater than generally supposed—and to the boom in tea prices prior to the Government purchase scheme. Mr Miller's defence of the ethics of commodity control and of the civil administration of Malaya provides the basis of his plea for the future status of the natural

	Years ended June 30.		
	1940	1941	1942
Profits after tax & depreciation	340,622	350,161	*413,656
Preference and pref. ord. divs.	137,800	137,800	137,800
Management share divs. and directors' remuneration	77,500	77,500	16,250
War contingencies	—	—	250,000
Deferred stock:			
<i>Earned %</i>	25.1	27.0	4.9
<i>Paid (total)</i>	125,000	125,000	25,000
<i>Paid (total) %</i>	25	25	5
Dividend equalisation	—	—	Dr. 26,250
Carry forward	164,735	174,596	185,452

* £107,583 loss on sale of investments written off from tax reserve no longer required.

rubber producer in the post-war world. Whatever the set-up then to be determined by the United Nations, Harrisons and Crosfield certainly faces the future with exceptionally good prospects, both on account of the size of its liquid resources and of the growing geographical spread of its interests. After taking account of provision for final dividends, the balance sheet shows a rise in net liquid assets—excluding those definitely stated to be in enemy-occupied territories—of £681,373 to £1,430,744, produced mainly by a rise of about £1,000,000 in cash and gilt-edged and falls of some £554,000 in stocks and £330,000 in liabilities. Inter-company items have moved £274,806 against the parent, while the valuation of subsidiary companies and commercial investments is down by £707,010, owing to writing off and sales. From this calculation, there is excluded £186,764 subsidiaries in enemy possession, which with £61,113 net liquid assets similarly placed, is just covered by the reserve appropriation. Finally, fixed assets are lower by £62,828. Total reserves are down by £126,250 and the carry forward increased by £10,856. The £1 deferred ordinary shares, at 47s. 6d. yield £2 2s. 6d. per cent.

Fairbairn Lawson Accounts

The full accounts of Fairbairn Lawson Combe Barbour, the Leeds and Belfast engineering concern, show that the resumption of ordinary dividends is amply justified by results for the year to March 31st last. Total profits rose from £163,660, after allocation of £20,000 for tax reserve, to £191,247 before tax. Despite an increase in depreciation from £17,949 to £30,101, the balance on profit and loss account, before all taxation in the latest year, is up from £111,436 to £133,115. The eventual agreement of EPT liability with the Inland Revenue authorities has resulted in the provision in the latest accounts of £225,868 for tax and contingencies in respect of the past three years. All that can be said is that £44,326 has been earned, over three years, for preferred and ordinary shares. The sum available on the year, after meeting all charges, and bringing in the carry forward, amounts to £115,173, from which the directors are paying 10 per cent on the preference capital as before, 1s per 1s share on the preferred ordinary capital—the first dividend ever paid—and 10 per cent on the ordinary capital—the first payment since 5 per cent in 1923. There remains a carry forward of £96,315, against £207,926, subject to EPT. Since total earnings last year reached the highest level of the past decade, and demand, especially for the general engineering side of the company's business, is likely to continue to expand, it is probable that the ordinary shareholders may see a further payment for the current year. The balance-sheet suggests that turnover has considerably increased. Debtors and the total of stocks and work in progress show satisfactory rises, while trade creditors, including taxation, are up from £154,777 to £430,913. The cash position is also less strained with a reduction in bank overdraft from £235,981 to £89,612, and an increase in cash holdings from the low level of £987 to £2,458. The chairman, Mr. J. K. Anderson, points out that the heavy liability for EPT makes it impossible for the present to eliminate the company's debt to its bankers. The 1s ordinary shares, at 2s 6d ex dividend, yield £4 per cent, a level which implies considerable confidence in the future.

* * *

Horden Collieries Dividend

The announcement that Horden Collieries are to distribute a final dividend of 5 per cent for the year to September 30th last, bringing the total payment on ordinary capital to 7½ per cent as in the two previous years, points to a remarkable stability of earnings. The preliminary statement shows net profits of £173,522, against £171,468 and £173,639 in 1939-40. On the assumption that debenture interest and sinking fund together require some £59,500, the rate of equity earnings would appear to have risen from 7.5 to 7.7 per cent, the same as in 1939-40. Last year, the chairman indicated that, for at least half the year, demand had outstripped the company's capacity to supply it, and it must be assumed that this position has continued throughout the latest financial period. Since prices of output are controlled by the Government, the slight rise in the net figure is no doubt due mainly to strict control of costs, which are known to have shown an upward tendency during the year in question. In all the circumstances, the preliminary results suggest successful management and the balance sheet will be awaited with interest. The £1 ordinary stock, at 24s. 6d., yields £6 5s. per cent.

* * *

Petrol Allowances

Last week, Mr Geoffrey Lloyd announced further reductions in the civilian petrol allowances, to take effect from

Industry and Trade

Census of Cars

The Ministry of Supply has decided to take a census of laid-up motor vehicles, including tyres, to be completed by November 18th. In view of the virtual cessation of private car manufacture and of the shortage of rubber, laid-up motor cars and their tyres are a valuable reserve that can be drawn upon in case of need. The size of this reserve is substantial; the number of private cars not currently in use is believed to be between 500,000 and 750,000 units. The taking of the census does not mean that large numbers of cars will be requisitioned in the near future, but it will provide the Government with the information that will enable it to meet its needs as they occur. So far as tyres are concerned, Sir Kenneth Lee, Director-General of Controls, pointed out that it would be necessary to draw upon them in order to bridge the gap until supplies of synthetic rubber

become available; his statement suggests that no synthetic rubber has yet reached this country from the United States. Serviceable tyres on laid-up vehicles can be fitted to cars engaged on essential work; other tyres can be retreaded and put into service again; those beyond repair can be used in the production of reclaimed rubber. Compensation for requisitioned vehicles and tyres will be paid after careful valuation; in case of disagreement owners will have the opportunity of appealing under the Compensation (Defence) Act.

December. In the case of motorists whose work is directly related to the war, there will be a general reduction of 10 per cent in the case of normal allowances, and more on the larger, for journeys made in the course of their work. War-working motorists who receive an allowance for journeys between home and place of duty can no longer expect to use their own car every day and must enter into sharing arrangements. The maximum allowances of persons not directly engaged in war work—doctors presumably—will be reduced by 25 per cent. Comparable reductions will be imposed on the consumption of Government Departments and Local Authorities. There will be special arrangements to discourage further the use of high-powered cars. The use of town gas as fuel for road vehicles will be restricted. On the other hand, it is not intended to make any immediate general reduction in domestic allowances, though the tightening up of the means test will be continued. The fact is that after the basic ration was, very reluctantly, abolished, the means test was applied far too liberally. There is hardly a person in the country who does not see or hear of flagrantly unnecessary motoring: cars with CD or "Doctor" on them drawn up at Hurlingham or in the country at week-ends; fleets of official cars at public functions in London; petrol allowances for visiting fox-hounds; uniformed officers on war savings business driving leisurely about the Home Counties, when a perfectly adequate train service is available; and so on. Moreover, even when a petrol ration has been granted for some necessary, semi-necessary and hardly necessary purpose, there is no check on whether the petrol is actually used for that purpose. What is to prevent a person who has a separate ration for Red Cross work, Women's Institute work, County Council work, shopping and church-going from curtailing these "duties" to a token minimum, and then using the bulk of the rations granted for pleasure motoring? Any flat-rate reductions that are made in allowances will, of course, be a corresponding increase in petrol saved. But petrol will continue to be wasted unless adequate measures are taken to check the purposes for which it is actually used. If only a few drivers on pleasure bent are stopped, prosecuted and heavily fined, and sufficient publicity is given, the example would probably serve as an effective deterrent.

Differential Food Rationing

Distribution of food in this country has been, in the main, on the basis of equal shares to individuals, without regard to need. This is not to say that there has been no differential rationing. Children get less of some foods and more of others. For pregnancy and certain illnesses, more or alternative rations can be obtained. The most important foodstuff distributed on a differential basis is milk. Foodstuffs can be distributed equally without great hardship to some sections of the community, when supplies are abundant. The Minister of Food has, however, given warning that the food situation is likely to deteriorate. This prospect throws into relief the desirability of a rationing system designed to take into account differing needs of various classes of consumers. The theory has been that canteens and restaurants would provide extra food for those who need it, and the principle of differential rationing has been applied to catering establishments. Some workers have been given extra cheese rations, but only those for whom it is difficult to provide canteens. The provision of canteens for workers is still far from adequate. Rather fewer than two meals (of all sizes) a head of the total population are taken each week in all catering establishments. The Trades Union Congress has upheld the Ministry of Food in its rationing policy, in spite of the desire of some trade unions for differential rationing. The introduction of such a system will naturally involve sacrifices on the part of those who have no special claims. This is shown by the milk distribu-

tion scheme. Nevertheless, the exigencies of the food situation now demand the extension of differential rationing. Provided it is accompanied by the surrender of coupons for meals in catering establishments, differential rationing can be worked. An efficient system is not impossible, as is shown by the experience of other countries, and in particular of Germany. Bread is a chief item of German differential rationing, and if bread were rationed in this country it would be necessary to distribute it on this principle.

German Practice

Germany's system of food rationing has been based on differentiation from the beginning of the war. Meals and food provided by restaurants and canteens were also at once included on the ration. During the course of the war rationing has been extended to almost all foodstuffs. No German is able to buy foodstuffs without his ration card or without being registered with a retailer for vegetables. Differentiation covers the main foodstuffs—bread, meat, fats and milk. The rations for sugar, eggs, jam and potatoes are uniform. Fruit and so-called "Nachmittel" (pearl barley, semolina, rice and so on) are supplied according to priority rights given to children on the basis of uniformly fixed rations. Differentiation has been carried very far, as the accompanying table shows. The rations for the different categories are expressed as a percentage of the rations for normal consumers, who are estimated to represent 40 per cent of the population. A normal consumer receives 79.4 ounces of bread, 12.3 ounces of meat and 7.3 ounces of fat

	FOOD RATIONS (Rations of normal consumer - 100)		
	Bread	Meat	Fats
Children —			
0 to 3 years	49		66
3 " 6 "	53	57.1	91.3
6 " 10 "	75.5		*129.2
Youths: 10 to 20 years	115.5	114	†143
Normal consumers	100	100	100
Night workers and workers on very long shifts	126.5	157	110
Heavy workers	162	200	148.6
Heaviest workers	207	271	279

Note.—Children up to 6 years receive the same meat ration, and children and youths from the ages of 6 to 18 years also receive a uniform meat ration. For bread, the age of the normal consumer is put at over 20 years, and for meat and fats at over 18 years.

* For children from 6 to 14 years.
† For youths from 14 to 18 years.

per week. Children up to three years are supplied with 1½ pint of milk per day, children from three to six years receive nine-tenths of a pint, from six to fourteen years half pint. Expectant and nursing mothers are entitled to nine-tenths of a pint, and a small number of workers employed in sections of the chemical industries are also given nine-tenths of a pint. Normal consumers can only buy skimmed milk. The rations are fixed locally and are frequently changed. Children's ration cards, as well as the cards for all other persons, containing the rations for normal consumers, are issued by the local food departments. The additional coupons for workers are issued by factory managements. Armament workers are also supplied at the factory with vitamin tablets. Children receive some vitamin tablets at school. During the first two and a half years of the war the differential rations were fully supplied. Since last winter, however, the distribution of supplementary rations appears to have become irregular.

Wool Marketing

The report of a special committee appointed by the Australian Woolgrowers' Council to study the postwar marketing of wool has been adopted by the Council. The committee's recommendations differ markedly from the terms of the new tin agreement (discussed in *The Economist* on October 10th). While emphasising the need for a "stable" and "reasonable" price to the woolgrower over a term of years, not only in Australia, but also in other countries, the committee expressed the view that

the price envisaged should be one that would not cause accumulations of wool to arise which would be overhanging surpluses on the world's wool markets, and also that it should be a price that would maintain the relationship of wool against competition with other fibres.

In other words, the recommendations envisage not only a stable price, but a price which will equate supply to demand.

There is no mention, at any rate, in the summarised version of the report, of production quotas. True, the conditions of wool growing differ from those of tin production. In order to achieve these aims, and to implement the Atlantic Charter, the committee recommends that the purchasing and distribution of wool surpluses should be undertaken by an international authority at the earliest practicable date, and that, pending the formation of such an authority, the British Government should be asked to continue to present bulk purchase agreements. In contrast, the new tin scheme, like the previous schemes, suggests that tin mining is to remain a monopoly of the governments of producing countries. When asked in the House of Commons on October 20th whether he was satisfied that the new tin agreement is within the letter and spirit of the Atlantic Charter, the Under-Secretary of State for Foreign Affairs, on behalf of Mr Eden, said "No." Yet, Mr Eden is one of the signatories of the agreement. Does Mr Law's reply mean that the Foreign Secretary has thought better? The creation of an international authority for the purchase and distribution not only of wool, but also of other staple commodities, may well point the way towards a rational solution of the raw material problem after the war. Mr William Batt, the American member of the Combined Raw Materials Board, said on Wednesday that his Board was the kind of machinery that might be carried on after the war to the benefit of the whole world.

Railway Transport

The maintenance of a high level of new production, and, in particular, of a regular supply of coal, during the winter months will depend in no small measure on railway transport. The task of the railways will be a heavy one, for the volume of traffic is likely to be appreciably bigger than a year ago; it has been estimated, for example, that at least 2,000 more goods trains a week will be needed to provide for the increase in military and war production traffic. Much has been done to improve the capacity of the railways, by the increase in facilities and better organisation. For example, new marshalling yards have been built and others extended; goods loop lines and sidings have been installed; running lines have been doubled and quadrupled. No fewer than 100,000 women are now employed by the railways. On the organisation side, improvements have been effected by the strengthening of central control, by the elimination of unnecessary hauls and a reduction in passenger transport facilities. Despite this record of achievement, however, a good deal more can and must be done if the railways are to pass the test of the coming winter.

Clothing Coupon Banking

The system of banking accounts for clothing coupons was inaugurated last June, and can be said to have worked smoothly and successfully. Traders have been saved trouble and labour, and frauds and black market dealings have been made more difficult. Certain relatively minor modifications to the scheme are to be introduced by an amending Order shortly to be issued. The maximum number of loose coupons which may be used in a single transaction will be reduced, from 75 to 50. It had originally been decided to make the maximum 50, but the number was raised shortly before the scheme came into operation. The new Order will permit the use of loose coupons (up to the maximum of 50) in part settlement of any one transaction. This will make for speedier settlement in dealings. It will be useful, for example, where traders have deposits with other traders, if orders are modified, or to correct counting mistakes. Coupons sent with an order may be paid into banking accounts before the order is completed; any return of coupons which may become necessary may then be made by means of a transfer voucher. Previously, wholesalers and others who accepted loose coupons from traders had to send one to the Board of Trade as a sample. This practice is to be discontinued for current coupons. Traders will be glad to be relieved of this duty. Sampling was originally intended to provide a check on fraudulent coupons. Its discontinuance may either be a reflection of the lessening of fraudulent activity, or of the impossibility of the Board of Trade's examining the coupons thus returned to them.

Secondary Metals

Last year the United States recovered non-ferrous metals valued at \$347,536,000 from scrap and residues. This

figure, compiled by the official United States Bureau of Mines, is a new record and compares with \$236,965,000 in 1940 and \$201,416,000 in 1939. As metal prices in the United States have been virtually stabilised since the autumn of 1940, the sharp increase in values is mainly due to the higher tonnages of recovered metals including those in alloys and chemical compounds. Compared with the two preceding years the recovery figures are as follows:

	(in short tons)		
	1939	1940	1941
Aluminium	53,947	68,045	106,859
Antimony	9,810	11,421	21,629
Copper	499,700	532,046	726,396
Lead	241,500	260,346	397,416
Nickel	2,920	5,150	5,315
Tin	29,160	33,222	42,033
Zinc	189,640	205,921	283,967

Source: US Bureau of Mines

As these figures include metal recovered from "new scrap," that is to say, metal such as clippings and faulty castings wasted during manufacture, the higher totals are partly due to the general increase in the United States consumption of virgin metals. In the case of three of the seven metals given in the table (aluminium, nickel and zinc), the quantities recovered from new scrap in 1941 were, in fact, larger than those recovered from old scrap. Nevertheless, in all cases, except nickel, secondary metals recovered from old scrap showed marked advances on the two preceding years and greatly helped to ensure the remarkably high level of the United States secondary metal recovery in 1941. The exception of nickel is not surprising, as nickel is used almost exclusively in alloys, and difficult to recover. As the United States started public salvage campaigns only this year—in 1941 scrap recovery was conducted on purely commercial lines—the figures for the current year are likely to show a further expansion.

The good results achieved in the United States are of direct interest to this country. Before the war Great Britain made perhaps less use of its scrap metal resources than any other large industrial country. Now these resources can no longer be neglected. Non-ferrous metal scrap has been included in the public's salvage drive since the formation of the Ministry of Supply's Salvage Department in November, 1939. So far, however, the recovery figures have been inadequate and last week the Ministry of Supply started a special non-ferrous metal salvage drive to secure better results. The publicity campaign, however, stresses only the general necessity of increased recovery and fails to set definite targets based on the quantities of metals which can reasonably be secured through a well-organised recovery campaign. The figures for the United States show how important the results of a metal salvage campaign can be and a comparison between actual and potential recovery figures might impress the public more than general references to purposes for which secondary metals can be employed.

Photography in Industry and Science

If war can be said to have any advantages, it is true that in many directions it hastens the evolution of scientific developments. This has been particularly marked in the use of photography in science and industry. Photography was used to help science as early as the 1880s, by Captain Abney. He worked at Woolwich Arsenal, and was certainly a pioneer; he may almost be termed the father of this use of photography. Since his time the science of photography itself has developed, and by its technical progress, has become an invaluable aid to science. Its use is almost daily extended. It is of incalculable value in war industries. Analysis of machine motions can be made, either by stills or cinematography. X-ray work is used to discover and examine flaws in castings, weldings and mechanical assemblies of all kinds. Models of machine parts are made in transparent material so that photographs of them show the stresses like contours on a map, thus eliminating laborious mathematical calculation. These are only a few of the manifold uses to which photography in all its forms is being put. The function of the camera can be described as being a highly sensitive eye of industry and science, and it can capture and make visible phenomena which could never be seen without it. An exhibition was opened to-day at the Royal Photographic Society, 16 Prince's Gate, London, S.W.7, at which an extensive selection of examples of the use of photography can be seen.

THE REFORM OF ACCOUNTS

The recent series of articles in *The Economist* on the Reform of Company Accounts has aroused considerable interest; and for the convenience of readers it is proposed to reprint these articles in pamphlet form. Copies will be available shortly, price 6d. The number of copies will necessarily be limited; and readers are advised to apply as soon as possible to *The Economist* Newspaper, Limited, 25 Abchurch Lane, 15, Lancaster Place, London, W.C.2. (Telephone No. Temple Bar 3316.)

TRINIDAD PETROLEUM DEVELOPMENT COMPANY, LIMITED

TAXATION AND DIVIDEND PROSPECTS

ANOMALIES OF DOUBLE TAXATION

MR. KENNETH MOORE ON VALUE OF PRIVATE ENTERPRISE

The annual ordinary general meeting of the Trinidad Petroleum Development Company, Limited, was held, on the 28th instant, at the Institute of Chartered Accountants, Moorgate Place, London, E.C.

Mr Kenneth A. E. Moore, F.C.A., chairman of the company, presided.

The secretary (Mr J. Mytton), having read the notice convening the meeting and the report of the auditors,

The chairman said: Gentlemen, in present circumstances, our first and paramount duty as producers of oil is, of course, to satisfy to the limit of our ability the production requirements indicated to us by the competent authority. We must discharge that duty whether or not it conflicts with the commercial considerations which would influence our policy in normal times.

When we can once again make public our production figures you will find that the company's war-time record is one of which you may justly be proud. It is the fashion nowadays in certain quarters to talk of private enterprise as if it were almost indecent and anti-social. The fact is overlooked that it is largely thanks to those individuals who have been willing in years gone by to save and to invest their savings in commercial ventures of one kind and another that in time of war no less than in times of peace the community has the advantage of the industries thus built up. While this is true of the whole field of essential industry, including transport, we may, in our small way, derive satisfaction from the knowledge that the enterprise undertaken with the capital subscribed by our shareholders some years ago with the motive of commercial profit is rendering great service to the war effort by its ability to produce vitally necessary supplies of oil. (Hear, hear.)

Having, I hope, made it quite clear that our policy is and must be to put the national interest before our domestic interests, I feel able, without risk of misunderstanding, to give some indication of the incidence of war-time conditions and taxation on our domestic interests.

DEPLETION OF IRREPLACEABLE RESERVES

In the first place, of course, increased production accelerates the depletion of irreplaceable reserves of oil, and so long as taxation remains at the present level there is a point beyond which no financial reward accrues to the company, but, on the contrary, its future is prejudiced. In our case, as you are aware, the company's undertaking was in the development stage in the standard years for purposes of E.P.T., and we therefore suffer from the misfortune of a pre-war standard of profits which does not represent a fair margin of profit on present-day production.

We are not unhelpful, however, that some measure of relief may be available to the company from the provisions of section 13 of the Finance Act, 1940, and section 31 of the Finance Act, 1941, in which the considerations to which I have briefly referred have received recognition.

TAXATION PROBLEMS

There is, however, one aspect of our taxation problem which seems to deserve attention at the hands of Parliament, arising from the fact that the company's oilfields are situated in Trinidad. On this account we have to pay first of all Trinidad income-tax, which was at the rate of 5s. in the £ up to December 31, 1941, from which

date it was raised to 7s. 6d. in the £. Secondly, we pay U.K. Excess Profits Tax at 100 per cent. on the remaining profits so far as they exceed our standard profits. Thirdly, we pay U.K. income-tax at 10s. in the £ on our trading profits before deducting Trinidad income-tax but after deducting U.K. Excess Profits Tax. Fourthly, we are entitled to Dominion income-tax relief at half the standard rate of U.K. income-tax, i.e., at 5s. in the £ on the amount of our U.K. income-tax assessment.

With U.K. income-tax at 10s., U.K. Excess Profits Tax at 100 per cent., and Trinidad income-tax at 5s., the effect of the present law is that on any profits we earn beyond the point at which we incur liability to U.K. Excess Profits Tax the aggregate taxation payable is at the rate of 106.25 per cent. (This percentage is somewhat increased now that Trinidad income-tax has been raised to 7s. 6d. in the £.) The result is that the more profits we earn the less is left for distribution to the shareholders by way of dividend. In fact it is possible to demonstrate that under the present law, if our profits rose to a spectacular level, there would be nothing for the shareholders, as our accounts would show a net loss after provision for taxation.

This Gilbertian state of affairs has been having our very serious attention, and representations are being made in the appropriate quarters in the hope that reason will prevail.

DIVIDEND POLICY

In the meantime the question of dividend policy has presented peculiar difficulties, but the directors are advised by the company's auditors that the reserve for taxation and contingencies, which stands in the balance-sheet at £568,364 after transferring £240,000 out of this year's profits, should prove, to the best of their ability to estimate it, more than adequate to meet our anticipated liability. In arriving at the above figures no account has been taken of that fiscal carrot, the promised refund of 20 per cent. of the 100 per cent. E.P.T. some time after the war. This refund will in any event be subject to income-tax and it has been made clear that it will not be available for dividends. After a very careful review of all the relevant circumstances the board feels able on this occasion to recommend a final dividend of 10 per cent., making 15 per cent. for the year, as before. This dividend will be subject to deduction of a net rate of income-tax of 5s. 6d. in the £ after giving effect to Dominion income-tax relief, and represents a very full distribution of the profits available out of the year's operations, after making provision for taxation. In fact the carry forward will be reduced thereby from £75,500 to £71,930. The present dividend of 15 per cent., less tax at 5s. 6d. in the £, is equivalent to 21½ per cent. gross, subject to tax at 10s.

I think it only right, however, to point out that unless our taxation position undergoes some change for the better it will be a matter of difficulty to maintain the present rate of dividend, however high our trading profits may be. In fact, as you will have gathered from my earlier remarks, the higher the profits the less will be left for the shareholders.

POSITION OF BORROWED MONEY

When I addressed you two years ago I mentioned that in connection with the

allowance for increased capital for purposes of E.P.T. an appeal was pending. That appeal was recently heard and was decided in favour of the company, but the Commissioners of Inland Revenue have now required a case to be stated for the opinion of the High Court. This case, it ultimately decided in the company's favour, will give a measure of relief down to March 31, 1940.

In any event, however, we have been deprived of that relief as from April 1, 1940, as a result of the "concession" announced by the Chancellor in honeyed words in introducing the Budget of 1941, whereby borrowed money is to be treated in the same way as proprietors' capital for purposes of Excess Profits Tax.

The avowed object of that concession was a very sensible one—namely, to meet the case of manufacturing concerns who, lacking capital themselves, could only finance an increased output of munitions, etc., by borrowing money to buy additional plant. It gave them a financial incentive (which would otherwise be almost lacking) equal to the difference between the rate of interest on the borrowed money (say 5 per cent.) and the rate allowed for increased capital for purposes of Excess Profits Tax (normally 8 per cent. or 10 per cent.).

In a case such as ours, however, where we replaced in 1937 some £800,000 of borrowed money by share capital, the effect is deplorable. Share capital after all is put into a concern permanently for better or for worse and shoulders the risks inseparable from commercial ventures. Borrowed money, on the other hand, generally has security or other privileges.

PENALISATION OF CAPITAL

While it is quite intelligible to encourage the borrowing of money to finance temporary increases in war production it is a little difficult to understand why the concession should have been framed in such a way as to penalise those who adopted what was usually regarded as the sounder long-term course—namely, to get capital into their business in permanent form. The remedy would, of course, be to make the "relief" optional, and it is to be hoped that the renewed representations which are being made on this subject will not fall on deaf ears. I have said enough to convey to you the extraordinary anomalies and uncertainties of taxation in its present form and on its present scale in a case such as ours.

A matter from which you may derive some comfort is that the company's production experience has continued to be entirely satisfactory and no doubt exists as to its ability to continue to produce large quantities of oil during the lifetime of its fields and to earn very substantial trading profits.

Once again it is both a pleasure and a duty to express on behalf of shareholders and directors alike our thanks to the company's staff and workpeople in Trinidad and at home for the success with which they have overcome the many difficulties, and our especial thanks are due to our general manager in Trinidad, Commander Lavington, upon whom a heavy responsibility devolves under existing circumstances. (Applause.)

The chairman concluded by moving the adoption of the report and accounts, and the payment of the proposed final dividend of 10 per cent., making 15 per cent. for the year, less U.K. income-tax at 5s. 6d. in the £ was approved.

Mr Richard R. Tweed, F.Inst.Pet. (joint managing director), seconded the resolution, and it was carried unanimously.

The retiring director, Brig.-General Sir William T. F. Horwood, G.B.E., K.C.B., D.S.O., was re-elected, and the auditors, Messrs Joselyne, Miles, Page and Company, were reappointed.

The proceedings terminated with a vote of thanks to the chairman and directors, and also to Commander Lavington, the company's general manager in Trinidad, and to the staff both in Trinidad and at home.

BRISTOL AEROPLANE COMPANY, LIMITED

SMALLER PROFIT ON INCREASED TURNOVER

RECORD OF USEFUL SERVICE

The thirty-second ordinary general meeting of the Bristol Aeroplane Company, Limited, was held, on the 26th instant, in Bristol, Mr W. G. Verdon Smith, C.B.E. (the chairman), presiding.

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

The amount available for distribution (£299,141) is slightly less than the amount available in the previous year. The increased volume of work has again been accompanied by a comparable reduction in profit allowed by the Ministry of Aircraft Production whilst at the same time the year 1941 carried throughout the full rate of income-tax at 10s. in the £, and excess profits tax at the full rate of 100 per cent., together with heavy premiums in respect of war damage insurance. You will realise that, judged by the standards of normal trading, the amount of profit available for distribution bears little relation to the turnover of the company. Your directors' policy has been in every possible way to develop the efficiency of the company's organisation and to safeguard its financial structure. After adding £100,000 to the general reserve, your directors recommend a final dividend on the ordinary shares of 6 per cent., less income-tax, making 10 per cent. for the year.

ACTIVITIES OF THE COMPANY

The organisation of the company has been steadily adapted and developed to meet the scale of effort required of it for war-time production. In addition to the extension and improvement of its own factories the company has devoted much concentrated attention to the development of supplementary factories specially planned to meet the programmes of the Ministry of Aircraft Production. We can justly claim that, judged by results, their management and personnel, drawn largely from the resources of the company, are second to none in the industrial war effort of the country.

War circumstances have brought to those responsible for the control of industrial organisations many problems novel and varied in their nature. There is an ever-growing realisation by managements that a study by them of all the aspects of everyday life is of the highest importance in enabling each individual to make his or her greatest contribution to output. Your company has fully appreciated the part thus played by efficient auxiliaries to production and has therefore devoted continual attention to the most suitable hours of attention to transport services, canteens and work, to transport services, canteens and medical services as well as to the many functions of a vigorous welfare organisation.

PART PLAYED BY EMPLOYEES

The company's relations with workpeople have been collaborative and satisfactory. It is recognised in our organisation that responsibility for an early victory depends upon the productive ability of the nation and that only sustained effort in workshops and offices will achieve it.

In this connection much public criticism is heard of lateness, absenteeism, and idleness, not least in aircraft factories. In these matters a proper perspective must be maintained. Everyone is agreed that every means of reducing the margin of inefficiency must be explored. At the same time faults basically due to the irresponsibility of the few ought not to create prejudice against the genuine and wholehearted readiness of the majority to work long hours, travel long distances and frequently entirely to subordinate personal considerations to the demands of their work. To young women and now increasingly to married women on part time work great credit is due. It is the duty of industry, particularly in

war time, whilst seeking out and destroying slackness and maintaining standards of discipline and supervision, at the same time to use its best endeavours to recognise intelligently the factors which create absenteeism and bad timekeeping and to make factory conditions as flexible as possible.

Official publications have continually reported from various theatres of war successes achieved by Beaufighters and Beauforts whilst Blenheims continued their long record of usefulness. Aircraft of our design are being successfully manufactured and operated both in Canada and Australia and to both Dominions we extend our congratulations on the great work they are accomplishing in the sphere of aircraft production. In a wide variety of operational and training aircraft our engines have added fresh laurels to the names Pegasus, Mercury, Taurus and Hercules.

For the present the immediate requirements of the war absorb our energies to the full. Meanwhile, however, aviation is making tremendous strides and the aeroplane has now more than ever before become a routine feature of world communication. When the opportunity comes for post-war development your directors consider that the efficiency of the production organisation and the potential resources of design and research possessed by the company will jointly be capable of carrying on as successfully as throughout the last thirty years, your company's record of useful service and progressive achievement.

SIR ROY FEDDEN

The statement was taken as read and the chairman added:—

The board regrets that the connection of Sir Roy Fedden with the company should be severed after a record of service extending over a period of 20 years, during which he has made great and valuable contributions to the design and development of aero engines. For some time past (mainly in consequence of the very large developments of recent years in this part of the company's business) the board has felt the necessity, in the public interest as well as that of the company, of reorganising the control of engine design and development. This matter was under discussion with Sir Roy Fedden for many months, the company being very reluctant to lose his services. Various proposals were made to him by which the full benefit of his continued assistance would have been retained. Sir Roy Fedden has been unwilling to accept any of the board's proposals and it has not been possible to arrive at any agreement with him. In these circumstances, the board has had to make other arrangements. They are confident that with the engine division reorganised under the control of Mr Norman Rowbotham the continued successful design and development of Bristol engines is assured.

The report was unanimously adopted.

HARRISONS AND CROSFIELD, LIMITED

In his address for the annual meeting of Harrisons and Crosfield, Limited, the chairman, Mr H. Eric Miller, expresses relief that the company has stood the shock of Japanese aggression in the Far East so well. Out of record profits a dividend of 5 per cent. is to be paid on the deferred ordinary stock.

Dealing with rubber Mr Miller says, "Suggestions have been freely made that the military debacle in Malaya is somehow linked up with unsatisfactory administration of that territory. General Smuts scotched them most effectively in his wonderful address to Parliament. After a taste of Japanese domination I shall be surprised indeed if the native populations do not welcome us back with open arms when the day of deliverance comes."

On the subject of synthetic rubber, Mr Miller quoted the views of Mr Henry Wallace, Vice-President of the U.S.A., who thinks the cost of natural rubber is likely to have a big advantage over synthetic rubber.

ALLIED INDUSTRIAL SERVICES, LIMITED

OUTPUT WELL MAINTAINED

The eighth annual meeting of this company was held, on the 23rd instant, at Netherwood Chambers, Bradford.

Mr W. H. Rhodes (the chairman), who presided, said: Ladies and gentlemen,—The copy of the accounts for the year ended June 30, 1942, incorporating a transcription of this speech, shows trading results in the third year of the war which may be considered satisfactory, particularly in view of difficulties unavoidable under war conditions. During the past year the output of your factories and the services rendered by your company have been well maintained and have continued so to be during the current year.

Before commenting on the actual financial figures I wish to place on record on behalf of my board of directors our thanks to the workers associated with our company for their good average attendance at work and their sustained efforts, and also to express our gratitude and appreciation to the members of our managerial staff who have so successfully coped with changing conditions and difficulties inseparable from their duties at the present time.

Turning now to the copy of the report and accounts you will observe that, after making proper provision for depreciation of the company's properties, plant, etc., the trading profit for the year amounts to £228,310, out of which £151,000 has been set aside to meet taxation and £10,000—as last year—has been transferred to general reserve; the balance of profit—namely, £67,310—together with the amount carried forward from the previous year—namely, £14,939—making a total of £82,249, is available for allocation as outlined in the accompanying report.

The report and accounts were unanimously adopted and a final dividend of 21 per cent., making 30 per cent. for the year, was approved.

WILLIAM DOXFORD AND SONS, LIMITED

DIVIDEND INCREASED TO 15 PER CENT

The fiftieth annual ordinary general meeting of William Doxford and Sons, Limited, was held, on the 29th instant, at the registered office of the company, Pallion Yard, Sunderland.

The following is the statement of the chairman, Mr E. P. Andrae, Ph.D., circulated with the report and accounts for the year ending June 30, 1942:—

Again this year only formal business will be transacted at the annual general meeting to be held at the company's offices at Sunderland on Thursday, the 29th instant, and this brief statement takes the place of the usual chairman's speech. I am pleased to report that the yard and engine shops have been fully occupied, and the net profit for the year has improved, the balance of £157,617 17s. 5d., after providing for taxation, being comparable with £105,931 19s. 5d. (being the net profit of £155,931 19s. 5d. less £50,000 transferred to reserve for taxation).

YEAR'S IMPROVED RESULTS

The general reserve has been increased by £25,000 to £300,000, and in view of the conditions now ruling the sum of £30,000 has been transferred to a contingency reserve account. Your directors have declared the dividend on the preference shares for the half-year ended June 30, 1942, viz., 2½ per cent., plus 1 per cent. in respect of the participating rights for the whole year, less tax. In view of the improved results for the year, your directors have decided to recommend the payment of a final dividend of 11 per cent. on the ordinary shares, less income-tax at 10s. in the £, making with the interim dividend of 4 per cent. paid May 1, 1942, 15 per cent. for the year, compared with 12½ per

cent. for the last year. If this is approved by the shareholders in general meeting, both dividends will be paid on November 2, 1942.

THE LATE MR K. O. KELLER

By the death of Mr K. O. Keller on July 22 last the company has sustained a very great loss. Mr Keller served the company for over 34 years, and for the last six years has been a director. Mr Keller's

name will always be associated in the annals of your company with the successful development of the Duxford oil engine, of which he was the pioneer, and to which he devoted his life's interest.

Mr W. H. Purdie, who has for many years been Mr Keller's chief assistant, has been appointed general manager of the engineering department with a seat on the board as from July 25 last. I am confident that Mr Purdie will prove a worthy suc-

cessor to his late chief, and that the appointment will ensure the continued personal devotion and interest, so characteristic of Mr Keller, in the progressive development of the Duxford oil engine. You will be asked to confirm the appointment of Mr Purdie to the board at the general meeting.

I again take the opportunity of paying tribute to all the officials, staffs, and work-people of the company for their loyal and unremitting efforts throughout the year.

RECORDS and STATISTICS

STOCK EXCHANGES London

Note: all dealings are for cash

With the opening of a new allied offensive in North Africa, the stock markets have resumed the strong upward movement which had recently shown signs of falling away. Not only prices, as reflected in the ordinary share index of the *Financial News*, but bargains marked have reached a new peak, with the 7,040 bargains marked on Monday. The *gilt-edged* market, however, has not participated in the advance, irredeemable and long-dated stocks actually weakening, although short-dated stocks have been firm throughout. In the *foreign bond* market, Chilean stocks have been firm on the formation of a new Cabinet, and Brazilian issues strengthened in midweek after earlier weakness. Egyptian Unified 4 per cent stocks derived strength from the initial reports of the North African advance, while Greek bonds were firm. A fair volume of business was transacted in the *home rail* market, junior stocks tending to lower levels on light selling. Southern preferred losing a point and GW ordinary, $\frac{1}{2}$. Senior stocks were firm, although some of the preference issues fluctuated narrowly. Speculative buying on a considerable scale, markings being nearly double the corresponding figure for the previous week, was reflected in large and widespread advances for Argentine rail stocks in the *foreign rail* market. BA Western 4 per cent debentures led the advance with a gain of 2 points on the interest payment, while the equity jumped $\frac{3}{4}$ points on the week. The BAGS and Central Argentine 4 per cent debentures showed similar rises, and despite some profit-taking, rather smaller gains were recorded for junior stocks. Elsewhere Peruvian Corporation rose strongly but relapsed later.

*

The *industrial* market continues as the centre of activity, markings on Monday exceeding 2,000 bargains for the first time since the inception of the system. Brewery issues were quietly firm, several tobacco shares advancing about 1s., but tobacco shares showed little movement of note. Thornycroft jumped 3s. 9d. in the motor and aircraft group, with Triplex and Leyland both showing considerable improvement. Rolls-Royce provided the exception to the strong upward trend, losing $\frac{3}{4}$. Colliery issues continue to attract buyers

in the heavy industrial section, Bolsover, Horden and Powell Duffryn all advancing, although small gains were spread throughout the section. The announcement of the payment of the arrears on the second preference stock occasioned considerable activity in Cunard issues, which rose sharply, although profit-taking later reduced the initial gains. Among textile shares, British Celanese second preference stock rose on the announcement of a higher rate of interest on the funding certificates, while Fine Spinners, Bleachers and Lancashire Cotton all enjoyed useful advances. In the miscellaneous section, London Brick was prominent with a rise of 2s. 9d., while Murex Wall Paper deferred and Sudan Plantations were both better. Elsewhere Brazilian Traction was outstanding with nearly a point rise, International Nickel improving in sympathy.

*

In the *kaffir* market, Cape buying was restricted to Far West Rand issues, among which Blyvoors and West Wit Areas advanced strongly, but for other issues gains seldom exceeded $\frac{1}{2}$. Outstanding among numerous smaller improvements in the *rubber* market was United Sua Betong with a gain of $\frac{1}{2}$. Among *tea* shares, Pabbojan, Consolidated Estates and Travancore were prominent, but some dullness was apparent in midweek. Activity in the oil market was slight, although Shell advanced $\frac{1}{2}$ at the week-end. Other issues, however, were, after minor fluctuations, little changed.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Corres. Day 1941	Security Indices
			30 Ord. 20 Fixed Int.†
Oct. 22	5,183	2,829	89.0 133.8
" 23	5,527	2,949	89.3 133.8
" 26	7,040	3,195	89.5 133.9
" 27	5,961	2,839	89.8 134.0
" 28	6,073	2,892	90.1 134.0

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1942 highest, 90.1 (Oct. 28); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942; highest, 135.6 (Apr. 29), lowest, 132.2 (Jan. 5). ‡ New basis in S.E. List. § Old basis.

New York

PERSISTENT buying of railroad stocks provided the main feature on Wall Street at the end of last week, several issues, together with a number of leading equities, reaching new high levels for the year. Light selling,

however, restricted the advance, and early in the current week light profit-taking, occasioned by the news from the Solomon Islands, caused some reduction in quotations. In midweek there was a falling off in both prices and turnover, but selling was distinctly moderate.

STANDARD STATISTICS INDICES (1935-36 = 100)

WEEKLY AVERAGES					
	1942	1941	1940	1939	1938
Low	29	14	7	14	21
High	14	7	14	21	21
347 Industrials	62.4	77.5	75.0	77.1	77.5
32 Rails	58.4	73.1	71.7	75.1	72.4
40 Utilities	53.1	67.4	61.8	64.9	63.8
419 Stocks	60.8	75.0	72.7	74.9	75.0
Av. yield %	8.40	5.95	6.14	5.98	5.95

(a) Jan. 7. (b) Oct. 21. (c) June 24.

DAILY AVERAGE OF 50 COMMON STOCKS

Oct. 15	Oct. 16	Oct. 17	Oct. 19	Oct. 20	Oct. 21
95.9	94.3	94.3	94.4	95.8	96.1

1942 High: 95.8, Oct. 20. Low: 75.2, April 28.
Total share dealings: Oct. 22, 740,000;
Oct. 23, 727,000; Oct. 24, 290,000;
Oct. 26, 629,000; Oct. 27, 629,000;
Oct. 28, 497,000.

* Two-hour session only.

Capital Issues

Week ending	Issued	Conversions	New Money
October 31, 1942	58,508	221,398	421,875
To Shareholders only	58,508	221,398	421,875
Particulars of Government issues appear on page 557.			
Year†	1,215,736,274	1,244,969,905	1,244,969,905
1941	1,299,269,950	1,245,682,668	1,245,682,668

Destination (Conversions Excluded)

Year	U.K.	Brit. Emp. ex U.K.	Foreign
1942	1,244,120,443	171,147	18,315
1941	1,241,386,353	1,296,135	10,000

Nature of Borrowing (Conv. Excl.)

Year	Deb.	Int.	Ord.
1942	1,237,054,767	138,362	8,976,576
1941	1,238,566,650	72,394	6,569,894

† Includes Government issues to Oct. 20, 1942, only.
Above figures include all new capital in which permission to deal has been granted.

(Continued on page 559)

COMMODITY AND INDUSTRY NEWS

Control of Food Canning.—By the Canning of Food and Feeding Stuffs (Control) Order, which comes into force on November 15th, control by licence over the canning of food is extended to cover all foods and feeding stuffs. Under the Order, canners must comply with all the requirements of the Minister of Food, and laboratory control is made compulsory. Canners who are already licensed under one of the other food-canning Orders need not apply for licences under the new Order. The previous canning Orders cover fruit, vegetables, fish, and condensed milk.

British Standards Institution.—During the past twelve months, the British Standards

Institution has published about 160 new and revised standards, bringing the total issued to 1,300. War emergency specifications have been prepared at the request of the Board of Trade and the Ministries of Supply, Aircraft Production, and Home Security. The voluntary work of some 8,000 representatives of industrial and trade organisations has been used to prepare specifications.

MPs Catering Committee.—A committee of Members of Parliament has been unofficially set up, to consider the Minister of Labour's plans for the control of the catering industry. Sir Douglas Hacking is chairman, Sir Leonard Lyle vice-chairman,

and Captain Peter Macdonald, secretary. Commander Bower, Sir John Mellor and Major Taylor are members of the executive committee. The committee is composed of Members who disagree with Mr Bevin's proposed legislation.

Salvage Collections.—According to a statement made by the Director of Salvage Recovery, local authorities have collected over 3,000,000 tons of salvage since the war, of which over half has been collected in the past year. Nearly 1,000,000 tons of waste paper, three-quarters of a million tons of ferrous metals, half a million tons of kitchen waste and 50,000 tons of rags are included in the total.

(Continued on page 560)

GOVERNMENT RETURNS

For the week ended Oct. 24, 1942, total ordinary revenue was £43,337,000, against ordinary expenditure of £99,414,000, and issues to sinking funds of £120,000. Thus, including sinking fund allocations of £6,904,215, the deficit accrued since April 1st is £1,662,352,000, against £1,705,564,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	Receipts into the Exchequer (£ thousands)				
		April 1 to Oct. 25, 1941	April 1 to Oct. 24, 1942	Week ended Oct. 25, 1941	Week ended Oct. 24, 1942	Week ended Oct. 24, 1942
ORDINARY REVENUE						
Income Tax	913,000	217,968	309,435	7,888	7,815	7,815
Sur-tax	78,000	15,784	14,844	690	650	650
Estate, etc.	90,000	51,440	52,300	1,330	1,590	1,590
Duties	15,000	7,671	7,790	1,200	600	600
N.D.C.	425,000	11,619	15,495	276	590	590
E.P.T.	1,000	207	184,820	6,590	9,715	9,715
Other Ind. Rev.	152,200	427,504	584,964	17,974	20,960	20,960
Total Ind. Rev.	152,200	427,504	584,964	17,974	20,960	20,960
Customs	438,295	201,516	258,145	4,879	8,666	8,666
Excise	366,705	171,072	223,800	6,772	8,300	8,300
Total Customs & Excise	805,000	372,588	481,945	11,651	16,966	16,966
Motor Duties	34,000	10,379	5,233	...	...	...
Canadian Govt. Contribution	225,000	...	179,534	...	2,247	2,247
P.O. (Net Receipts)	10,000	7,850	8,150	1,600	1,250	1,250
Wireless Licences	4,300	...	1,520	...	...	...
Crown Lands	800	610	460	80	...	...
Receipts from Sundry Loans	5,000	2,779	1,503	627	422	422
Miscell. Receipts	21,000	41,005	60,439	1,303	1,491	1,491
Total Ord. Rev.	2627,100	862,715	1,323,749	33,235	43,337	43,337
SELF-BALANCING P.O. & Broadcastg.	102,523	53,600	57,050	1,100	1,350	1,350
Total	2729,623	916,315	1,380,799	34,335	44,687	44,687

Expenditure	Estimate, 1942-43	Issues out of the Exchequer to meet payments (£ thousands)				
		April 1 to Oct. 25, 1941	April 1 to Oct. 24, 1942	Week ended Oct. 25, 1941	Week ended Oct. 24, 1942	Week ended Oct. 24, 1942
ORDINARY EXPENDITURE						
Int. & Man. of Nat. Debt	325,000	161,906	192,513	1,018	1,213	1,213
Payments to N. Ireland	9,500	4,266	4,360	326	336	336
Other Cons. Fund Services	7,800	4,051	3,947	...	226	226
Total	342,300	170,223	200,813	1,344	1,774	1,774
Supply Services	495,320	239,174	277,838	76,889	97,640	97,640
Total Ord. Exp.	529,550	256,197	297,917	78,233	99,414	99,414
SELF-BALANCING P.O. & Broadcastg.	102,523	53,600	57,050	1,100	1,350	1,350
Total	632,073	261,557	303,627	79,333	100,764	100,764

After decreasing Exchequer balances by £238,150 to £2,710,143, the other operations for the week (no longer shown separately) raised the gross National Debt by £54,564,617 to £15,732 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Oct. 24th and Oct. 30th. (Figures in brackets are par of exchange.)

United States	\$ (4-80) 4-02½-03½; mail transfers 4-02½-03½	Canada	\$ (4-80) 4-43-47; mail transfers 4-43-47	Switzerland	Francs (25-22) 17-30-40	Argentina	Peso (18-15) 16-85-95	Portugal	Escudos (110) 7-58-64	Uruguay	Escudos (110) 7-58-64	Spain	Peseta (25-22) 40-50 (Official Clearing Office)	Turkey	Piastres (110) 4-02-04	Italy	Lira (100) 71-25-100
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NET ISSUES (£ thousands)	250
P.O. and Telegraph	19
Overseas Trade Guarantees	269
NET RECEIPTS (£ thousands)	1,653
War Damage Act	11
Overseas Trade Guarantees	1,664

FLOATING DEBT (£ millions)					
Date	Treasury Bills	Ways and Means Advances	Bank of England Deposits	Treasury Deposits	Total Floating Debt
1941					
Oct. 25	975.0	1558.9	241.8	662.5	2463.7
1942					
July 25	975.0	1654.3	166.8	654.5	3450.6
Aug. 1	975.0	1654.3	166.8	654.5	3450.6
" 8	975.0	1654.3	166.8	654.5	3450.6
" 15	975.0	1654.3	166.8	654.5	3450.6
" 22	975.0	1654.3	166.8	654.5	3450.6
" 29	975.0	1654.3	166.8	654.5	3450.6
Sept. 5	975.0	1654.3	166.8	654.5	3450.6
" 12	975.0	1654.3	166.8	654.5	3450.6
" 19	975.0	1654.3	166.8	654.5	3450.6
" 26	975.0	1654.3	166.8	654.5	3450.6
Oct. 3	975.0	1654.3	166.8	654.5	3450.6
" 10	975.0	1654.3	166.8	654.5	3450.6
" 17	975.0	1654.3	166.8	654.5	3450.6
" 24	975.0	1654.3	166.8	654.5	3450.6

TREASURY BILLS (£ millions)					
Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1941					
Oct. 24	75.0	148.1	75.0	s. d. 20 0 59	38
1942					
July 31	75.0	155.1	75.0	19 11 91	28
Aug. 7	75.0	151.4	75.0	20 0 71	38
" 14	75.0	135.6	75.0	20 0 69	44
" 21	75.0	151.4	75.0	20 0 71	39
" 28	75.0	163.6	75.0	20 2 85	31
Sept. 4	75.0	166.1	75.0	19 10 62	44
" 11	75.0	157.3	75.0	19 10 87	40
" 18	75.0	145.3	75.0	20 2 45	27
" 25	75.0	134.7	75.0	19 11 52	55
Oct. 2	75.0	156.2	75.0	20 0 15	33
" 9	80.0	164.8	80.0	20 0 47	35
" 16	85.0	181.2	85.0	19 11 90	27
" 23	85.0	172.7	85.0	20 0 44	35

On Oct. 23rd applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 35 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £85 millions of Treasury Bills are being offered on Oct. 30th. For the week ending Oct. 31st, the banks will be asked for Treasury deposits to a maximum amount of £50 millions.

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

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Sept. 15.....	4,274	1,949	7,583	12,009
" 22.....	4,180	1,930	6,873	8,927
" 29.....	4,729	2,395	7,197	5,612
Oct. 6.....	4,697	2,268	9,182	19,578
" 13.....	4,376	2,128	8,006	16,661
" 20.....	4,198	1,887	5,925	7,066
" 27.....	...	...	5,743	11,297
Totals to date ...	636,667*	502,024*	894,361*	636,591*

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Oct. 25, 1941	Oct. 24, 1942	Oct. 25, 1941	Oct. 24, 1942
Working days—	6	6	252	251
Birmingham	2,149	2,139	94,903	103,748
Bradford	1,474	1,213	91,701	88,410
Bristol	2,407	607	84,847	94,869
Leeds	601	586	27,390	31,890
Leicester	866	881	41,798	46,567
Liverpool	685	775	34,430	35,732
Manchester	4,666	4,641	231,995	191,924
Newcastle	10,836	11,044	492,612	508,776
Nottingham	1,521	1,208	56,139	62,090
Sheffield	1,465	1,076	19,685	18,685
Southampton	585	671	29,445	35,336
Dublin*	90	95	3,953	4,763
12 Towns	26,281	24,371	1,208,089	1,223,790
Dublin*	6,661	7,140	249,363	275,948

* Oct. 18, 1941, and Oct. 17, 1942.

OVERSEAS BANK
RETURNSCENTRAL BANK OF ARGENTINA
Million paper pesos

	Aug. 31, 1941		July 31, 1942		Aug. 15, 1942		Aug. 31, 1942	
	1941	1942	1941	1942	1942	1942	1942	1942
ASSETS								
Gold at home	1,069	1,075	1,075	1,075				
Other gold and for. exch.	446	608	617	629				
Non-lat. Govt. bonds	119	114	114	114				
Treasury bonds	394	392	392	392				
LIABILITIES								
Notes in circulation	1,248	1,489	1,481	1,492				
Deposits: Government	211	49	143	39				
Banks	546	654	582	637				
Certs. of participation	29	30	29	29				
Reserve ratio	75.0%	75.7%	75.7%	77.5%				

U.S. FEDERAL RESERVE

Million \$'s

	Oct. 25, 1941		Oct. 25, 1942		Oct. 25, 1942	
	1941	1942	1942	1942	1942	1942
12 U.S.F.R. BANKS						
Resources						
Gold certifi. on hand and	20,560	20,562	20,567	20,557		
due from Treasury	20,841	20,810	20,828	10,824		
Total reserves	268	236	243	252		
Total cash reserves	2,184	3,592	3,809	4,225		
Govt. deposits	2,197	3,615	3,836	4,248		
Total resources	24,234	25,677	26,473	26,610		
LIABILITIES						
F.R. notes in circ.	7,352	10,798	10,910	10,989		
Excess m. bank res.	4,660	2,290	2,710	2,350		
Mr. bank res. dep.	12,749	11,801	12,303	12,304		
Govt. deposits	977	393	123	521		
Total deposits	15,838	13,382	13,708	14,079		
Total liabilities	24,234	25,677	26,473	26,610		
Reserve ratio	91.1%	85.5%	84.6%	83.1%		
BANKS AND TREASURY						
Resources						
Monetary gold stock	22,786	22,756	22,758	22,745		
Treasury & bank currency	3,214	3,356	3,359	3,363		
LIABILITIES						
Money in circulation	10,278	13,830	13,932	13,995		
Treasury cash and dep.	3,172	2,628	2,351	2,759		

AUSTRALIAN COMMONWEALTH
BANK.—Million £A's

	Sept. 8, 1941		July 20, 1942		Aug. 31, 1942		Sept. 7, 1942	
	1941	1942	1942	1942	1942	1942	1942	1942
ASSETS								
Gold and English ster.	18.96	26.61	27.96	27.86				
Other coin, bullion, etc.	6.42	10.20	8.33	11.74				
Call money, London	32.88	34.79	35.65	32.01				
Secrts. and Treas. bills	59.08	104.48	126.77	120.36				
Discounts and advances	20.78	27.46	23.78	22.64				
LIABILITIES								
Notes issued	71.11	104.86	109.11	110.11				
Deposits, etc.	107.19	128.30	141.69	135.12				

SOUTH AFRICAN RESERVE BANK
Million £'s

	Sept. 2, 1941		Aug. 26, 1942		Sept. 11, 1942		Sept. 11, 1942	
	1941	1942	1942	1942	1942	1942	1942	1942
ASSETS								
Gold coin and bullion	53.54	63.94	64.21	4.57				
Bills discounted	0.93	1.03	1.09	0.02				
Invest. and other assets	42.59	61.47	61.42	8.82				
LIABILITIES								
Notes in circulation	24.97	35.25	35.27	33.79				
Deposits: Government	4.80	6.48	8.16	5.23				
Bankers	59.11	76.03	73.49	76.73				
Others	4.29	4.95	5.31	4.74				
Reserve ratio	57.7%	52.5%	52.4%	53.7%				

CENTRAL BANK OF TURKEY
Million Turkish pounds

	Aug. 2, 1941		June 6, 1942		June 13, 1942		July 13, 1942	
	1941	1942	1942	1942	1942	1942	1942	1942
ASSETS								
Gold	117.7	138.4	138.4	138.6				
Clearing and other exch.	46.6	64.3	65.7	54.5				
Treasury bonds	137.1	135.0	135.0	134.5				
Commercial bills	272.9	317.7	331.6	332.5				
Securities	53.8	55.6	55.6	55.1				
Advances	172.7	257.8	257.8	257.9				
LIABILITIES								
Notes in circulation	509.1	610.0	608.0	600.5				
Deposits	155.7	177.4	195.1	199.6				
Clearing and other exch.	29.9	25.8	26.9	25.5				

COMPANY RESULTS (October 14 to October 28, 1942)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribu- tion	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Highland Distilleries	Aug. 31	£ 51,718	£ 5,000	£ 44,318	£ 87,865	£	£ 33,937	% 30	£	+ 10,381	£ 57,675	£ 40,275	% 30
Hodgson's Kingston Brewery	Sept. 30	83,221	...	46,665	96,254	...	24,750	15	Dr 10,000	+ 31,915	75,014	39,039	15
Canals, Docks, &c.													
Mount Stuart Dry Docks	Mar. 31	58,546	...	32,154	68,677	5,772	11,708	6	5,000	+ 9,674	63,551	31,240	6
Coal, Iron and Steel													
Cannock Associated Collieries	June 30	119,368	41	116,853	170,424	23,424	70,297	8½	20,000	+ 3,132	124,167	121,086	8½
Kayser Ellison & Co.	June 30	93,167	35,000	58,167	71,640	6,000	43,750	17½	10,000	+ 6,583	114,102	64,102	17½
Sneyd Collieries	June 30	92,104	...	29,321	134,215	3,825	26,250	17½	...	- 754	73,398	29,881	15
Tinsley Rolling Mills	June 30	11,040	2,000	2,871	7,772	871	2,000	10	...	...	18,224	7,773	10
Ward (Thos. W.)	June 30	183,892	49,008	129,883	255,931	37,500	65,541	11½	25,000	+ 1,842	194,845	138,220	11½
Financial, Land, &c.													
Argentine Land and Investment	June 30	93,723	629	33,188	72,789	...	20,538	4	10,000	+ 2,650	93,518	31,996	4
Associated London Properties	June 24	128,503	...	Dr 11,601	7,617	...	...	...	...	- 11,601	148,228	Dr 693	Nil
Covent Garden Properties	June 30	220,743	...	14,890	34,475	...	...	...	...	+ 14,890	237,494	24,300	Nil
Estates Control Limited	Mar. 31	108,815	...	79,909	247,519	33,722	41,000	100½	...	+ 5,187	69,063	59,110	100½
Goldsbrough Mort & Co.	Mar. 31	921,269	50,407	102,991	285,514	...	120,000	5	...	+ 17,009	972,055	192,926	7
Port of Beira Development	Mar. 31	20,704	...	9,282	14,232	...	7,834	4.7d	...	+ 1,428	34,520	11,636	6-5d
Read's Drift Land	Mar. 31	3,665	506	762	Dr 265	...	...	...	...	+ 762	2,909	663	Nil
Rio Negro (Argentine) Land	June 30	110,755	...	21,142	30,470	...	9,000	3	10,000	+ 2,142	73,935	15,660	3
Tecka (Argentine) Land	June 30	139,918	...	31,287	50,699	...	20,000	10	10,000	+ 1,287	105,941	19,558	9
Motor, Aviation, &c.													
Bristol Aeroplane Co.	Dec. 31	985,580	...	284,869	299,141	15,000	165,000	10	100,000	+ 4,869	766,537	295,694	10
Renold and Coventry Chain	June 30	100,739	...	100,739	125,663	8,388	45,253	10	45,000	+ 2,098	93,404	93,404	10
Oil													
Trinidad Petroleum Development	July 31	717,120	...	158,380	233,880	12,000	150,000	15	...	- 3,620	677,420	155,770	15
Rubber													
Batavia (Kerkhoven)	Dec. 31	7,129	345	Dr 848	922	...	...	...	...	- 848	4,532	248	Nil
Bernam-Perak	June 30	3,104	...	Dr 810	1,252	...	...	...	...	- 810	14,200	12,058	10
Biting	Mar. 31	1,986	...	Dr 97	1,647	...	...	...	1,000	- 1,097	9,053	7,863	10-41d
Bradwall (F. M. S.)	Dec. 31	7,266	...	1,158	4,314	...	...	...	...	+ 1,158	13,087	3,050	7½
Bruch	Mar. 31	9,687	350	5,261	13,649	...	...	...	...	+ 5,261	12,748	3,725	12½
Eastern Sumatra	June 30	22,464	...	Dr 62,219	Dr 55,367	...	...	...	...	- 62,219	109,779	51,611	10-41d
Gordon (Malaya)	Dec. 31	42,813	1,870	5,449	14,009	2,881	...	...	...	+ 2,881	49,058	16,658	6
Kampong Kuantan	Dec. 31	22,769	...	10,071	14,725	...	5,013	12	...	+ 5,013	33,316	13,385	22
Lambak	Mar. 31	34,891	1,500	8,112	20,125	...	...	...	...	+ 8,112	47,265	15,333	7½
Laras (Sumatra)	Mar. 31	123,171	...	Dr 33,151	8,731	...	...	...	Dr 9,000	- 24,151	128,964	24,420	Nil
Mahawale	Dec. 31	23,048	1,326	5,728	9,335	...	6,400	4	...	+ 6,400	32,105	3,730	4
Manchester North Borneo	Mar. 31	12,167	914	Dr 4,920	1,395	563	...	...	...	- 4,920	34,821	5,557	4
Morib	June 30	3,801	564	Dr 3,365	Dr 207	...	...	...	Dr 1,000	- 2,365	6,197	3,928	5
Pelmadulla	Dec. 31	84,765	3,635	19,530	34,375	...	20,763	15	...	+ 1,233	69,181	30,349	16
Port Dickson-Lukut (F.M.S.)	Mar. 31	11,850	1,000	409	14,023	...	...	...	...	+ 409	28,992	13,063	5
Selangor United	Mar. 31	7,978	500	1,949	12,312	...	...	...	...	+ 1,942	17,708	8,698	10
Siak	Dec. 31	1,148	...	Dr 3,818	Dr 3,301	...	...	...	...	- 3,818	4,386	2,645	4½
Sumatra Anglo-Dutch	Dec. 31	198	...	Dr 8,022	1,363	...	...	...	...	- 8,022	7,569	1,759	4
Sungei Krian	Dec. 31	40,447	...	11,493	37,952	...	1,902	2½	...	+ 9,951	44,870	9,492	10
Yunnan	Dec. 31	3,453	...	1,317	4,716	...	...	...	...	+ 1,317	2,034	1,357	36
Shipping													
Coast Lines Limited	Dec. 31	338,941	...	244,051	372,919	194,250	50,000	2½	...	- 199	300,164	183,118	Nil
Shops and Stores													
Clydesdale Supply Co.	Mar. 31	16,040	1,261	4,756	13,377	3,000	...	...	...	+ 1,756	19,048	3,111	8
Peacock's Stores	Dec. 31	62,051	12,085	17,550	39,540	8,000	4,000	8	5,000	+ 550	56,475	9,687	8
Tea													
Bogawantalawa	Mar. 31	53,256	...	12,115	14,261	4,455	6,869	8½	1,000	- 209	42,748	13,246	10
Dimbula Valley (Ceylon)	Dec. 31	38,779	2,755	18,680	19,268	3,783	13,800	7½	1,000	+ 97	30,998	18,138	7½
Thanzie	Dec. 31	86,007	...	31,230	50,056	...	31,350	7½	...	- 120	60,308	30,076	7½
Peacock & Nimble (Ceylon)	Dec. 31	27,442	...	5,290	13,011	1,723	4,217	5	...	- 650	16,882	5,378	5d
Textiles													
Melso Fabrics	July 31	59,280	3,498	4,596	10,894	3,375	1,500	8	...	- 279	42,114	4,172	8
Trusts													
Cables Investment Trust	June 30	337,239	...	220,913	391,965	90,000	100,000	5	...	+ 30,913	341,638	225,097	5
Camperdown Trust	Oct. 1	90,385	...	26,823	37,371	9,450	14,175	9	3,000	+ 198	93,017	28,438	9
Scottish and Dominions	Sept. 15	40,940	...	12,228	25,902	7,765	3,088	3	...	+ 1,375	41,235	12,647	3
Second Broadwater	Sept. 14	17,005	...	7,728	11,434	4,500	2,500	10	4,250	+ 5,522	16,444	8,094	10
Other Companies													
Allied Industrial Services	June 30	229,255	...	77,310	92,249	12,000	56,250	30	10,000	- 940	238,938	77,993	30
Anglo-Thatch Corporation	Mar. 31	188,007	...	39,851	105,700	4,550	20,000	10	15,000	+ 301	123,183	27,337	10
Aron Electricity Meter	Mar. 31	28,854	...	15,358	23,480	...	7,597	10	...	+ 2,761	20,183	2,761	7½
Braithwaite & Co.	Mar. 31	98,140	9,657	17,250	45,191	5,625	5,445	5	2,165	+ 4,015	100,018	17,047	5
Britannia Electric Lamp	April 30	21,529	8,044	6,313	17,346	...	6,125	7	...	+ 188	41,289	6,205	7
Brown, Hopwood & Gilbert	June 30	6,235	...	4,393	19,131	812	7,125	15	...	+ 3,544	10,586	8,405	15
Burler's Limited	Mar. 31	70,030	4,318	15,926	19,722	...	...	...	...	+ 15,926	41,559	Dr 23,028	Nil
Clyde Paper Co.	June 30	131,022	40,000	8,178	19,419	8,438	6,000	4	...	- 6,260	129,846	8,059	4
Doxford (William) & Sons	June 30	209,571	30,000	157,618	132,122	15,000	75,000	15	55,000	+ 12,618	227,098	155,932	12½
Fairbairn, Lawson, Combe, Barbour	Mar. 31	191,247	30,101	133,115	341,081	16,361	...	...	...	+ 114,258	163,660	111,436	Nil
Gestetner (D.) Limited	Aug. 31	221,778	14,231	151,766	199,019	18,375	100,854	25	30,000	+ 2,537	226,621	122,586	25
Hawthorn (R. W.), Leslie & Co.	June 30	132,034	...	130,934	183,760	...	80,612	15	50,000	+ 322	133,771	133,771	15
Holeys Limited	Mar. 31	202,865	...	66,452	87,223	...	75,000	30	...	- 5,548	217,852	96,189	30
Rowley Bridge & Piggott (Thomas)	June 30	157,366	21,000	41,121	77,818	1,338	14,063	12	10,000	+ 15,720	150,470	36,506	12½
Hughes-Lynch Stampings	Aug. 2	50,141	13,146	26,343	65,237	...	16,250	25	...	+ 10,093	57,085	33,528	25
Lloyds Retailers	June 30	5,315	637	1,609	11,844	...	3,125	5	...	+ 4,734	10,924	6,070	5
Morris (Herbert)	July 31	128,375	15,742	161,694	268,839	3,500	100,000	20½	...	+ 2,008	108,664	92,226	20½
Murex Limited	June 30	629,368	25,000	20,998	56,827	13,125	9,375	9	10,000	+ 8,194	587,013	182,222	20
Parkinson (Sir Lindsay) & Co.	Dec. 31	98,700	...	10,687	23,060	...	...	...	...	- 11,502	174,118	36,620	11½
Premier Metal Co. (South Africa)	June 30	36,137	1,148	6,619	...	...	7,187	6½	...	+ 3,500	37,400	10,747	6½
Sadler & Co.	June 30	14,228	...	3,431	6,619	...	3,592	5	...	- 161	12,102	3,629	5
Serck Radiators Limited	Aug. 1	72,663	17,073	51,880	65,422	...	22,500	22½	30,000	- 620	65,280	47,641	22½
Settle Lines Limited	July 31	38,964	...	4,206	6,656	...	3,654	4	...	+ 552	37,658	4,562	4
Simons & Co.	June 30	208	...	15	61	...	...	...	...	+ 13	Dr 11,423	Dr 12,610	Nil
South London Greyhound Racecourses	Sept. 30	87,783	3,523	16,128	47,684	3,000	24,000	40	...	- 10,872	91,381	39,775	40
United Dairies	June 30	528,383	...	509,186	680,673	195,000	308,000	12½	...	+ 6,186	522,538	504,416	12½
Wright, Bingley & Gell	June 27	20,219	7,440	10,636	12,485	9,078	1,135	6½	...	+ 423	21,755	10,456	6½
Totals (000's)													
October 14, 1942, to October 28, 1942	No. of Cos.	79	8,552	415	3,620	6,266	796	2,178	...	497	9,282	...	...
January 1, 1942, to October 28, 1942	1,592	326,644	30,183	145,534	238,258	36,651	86,252	...	16,732	+ 5,899	326,304	153,921	...
† Free of Income Tax.													
(s) Excluding £225,868 Provision for Taxation.													

(Continued from page 556)

Waste Paper "Sector Scheme."—The Control of Paper (No. 54) Order, which comes into force on November 16th, imposes certain restrictions on the transport of waste paper, in order to economise transport. The country has been divided into areas in which the consumption of waste paper is approximately equal to collection. No waste paper may be moved from one area to another without licence. Quantities under 5 cwt. are not subject to licence. Waste paper transported other than by rail may be carried not more than 10 miles to a place in another area.

Soft Drinks Control.—From January 1, 1943, soft drinks may not be sold under a label bearing any name brand or trade mark distinguishing the manufacturer or packer. Moulded or embossed bottles may continue to be used if their use will save material and labour. Code marks on labels may be used, provided they are authorised by the Minister of Food or the Soft Drinks Industry (War Time) Association.

Pyrethrum Control.—The Minister of Supply has made the Control of Pyrethrum (No. 1) Order, under which

dealings in and the treatment, use and consumption of pyrethrum (*chrysanthemum cinerariifolium* and *chrysanthemum coccineum*), flowerheads, and products manufactured therefrom are made subject to licence. The Order came into force on October 26th.

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

	Oct. 20, 1942	Oct. 27, 1942
GRAIN, etc.		
Wheat	s. d.	s. d.
No. 1 N.Mt. 496 lb. f.o.b. St. J.	38 3	38 3
Eng. Gaz. av. per cwt. (c)	16 6	16 4
Barley Eng. Gaz. av. per cwt. (c)	33 8	33 5
Oats (c)	15 0	15 3
Maize, La Plata, 480 lb., f.o.b.	13 10½	13 10½
BACON —(per cwt.)—Wilts, cut side	142 0	142 0
HAMS —(per cwt.)—Green	147 0	147 0

OTHER FOODS

POTATOES (per cwt.)—		
English	4 6	4 0
	5 6	6 0

MISCELLANEOUS

HIDES (per lb.)—	s. d.	s. d.
Dry Capes, 18/20 lb.	0 9	0 9
SHELLAC (per ton)—IN Orange	205/0/0	205/0/0
VEGETABLE OILS (per ton net)—		
Oil Seeds, Linseed		
Bombay	26/0/0	Nom.

(c) Average for weeks ended Oct. 17 and Oct. 24.

AMERICAN WHOLESALE PRICES

	Oct. 20, 1942	Oct. 27, 1942
GRAINS (per bushel)—		
Wheat, Chicago, Dec.	124½	124½
Maize, Chicago, Dec.	79½	79½
Oats, Chicago, Dec.	47	47
Rye, Chicago, Dec.	66½	66½
Barley, Winnipeg, Oct.	60½	60
MISCELLANEOUS (per lb.)—		
Cotton, N.Y., Am. mid., spot	19.91	19.93
Am. mid., Nov.	18.21	18.19
Cotton Oil, N.Y., Dec.	13.87	13.88
Moody's Index of staple commodities, Dec. 31, 1931=100.	234.1	232.7

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

	Oct. 22, 1942	Oct. 23, 1942	Oct. 26, 1942	Oct. 27, 1942	Oct. 28, 1942
Crops	118.9	118.9	118.9	118.9	118.9
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	143.3	143.3	143.3	143.3	143.3
	Mar. 31, 1937*	Aug. 31, 1937	Oct. 28, 1941	Sept. 21, 1942	Oct. 21, 1942
Crops	147.9	92.2	113.5	118.5	118.9
Raw materials	207.3	122.9	170.5	172.7	172.7
Complete Index	175.1	106.4	139.1	143.1	143.3

* Highest level reached during 1932-37 recovery.

THE ECONOMIST

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(1941 Accounts)

Temporary and Military?

MILITARILY, the war goes well. It does seem that at last, in the old words of Roger Ascham, "by experience we have found a short way by long wandering." Politically, the scene is more confused. On the first day of the American landings in North Africa, President Roosevelt sent a message to the people of France. He declared "again and again his faith in liberty, equality and fraternity." He gave a pledge

that the Americans, with the help of the United Nations, are doing all they can to establish a healthy future as well as the restoration of the ideals of freedom and democracy for all those who have lived under the Tricolour.

The President's words seemed to leave no doubt about the banners under which the crusade had begun. But doubts then took root and grew. The motives which prompted the American Command in North Africa to recognise Admiral Darlan as the representative of France and the head of French administration in North Africa are very difficult to deny. They were motives of expediency. Rightly, General Eisenhower was anxious to secure the swift, smooth and frictionless working of civil government behind his lines; and not the least important reason for the success of the operations has been his success in doing this. The assumption that the French civil servants in North Africa are bound to Vichy by ties of loyalty was not groundless. With the North African drama unfolding itself against the motionless background of a passive and backward Moslem population, the only political factor

that counted in the American plan to seize a foothold was the French colony, in which the civil servants, to whom Darlan may well symbolise the legal continuity of the regime they serve, are central figures.

On Wednesday, President Roosevelt made another statement, accepting General Eisenhower's political arrangements "made for the time being in Northern and Western Africa." The present temporary arrangements, he said, have accomplished two military objectives. The first was to save lives; the second was to save time, to avoid a mopping-up period, which would have delayed an attack on Tunis and Tripoli.

I thoroughly understand and approve the feeling in the United States and Great Britain and among all the other United Nations that, in view of the history of the past two years, no permanent arrangement should be made with Admiral Darlan. People in the United Nations would never understand the recognition or reconstitution of the Vichy Government in France or in French territory. We are opposed to Frenchmen who support Vichy and the Axis.

This statement was timely and welcome. The question is whether the justification given by the President for the deal with Darlan is quite sufficient.

It is true that collaboration has been secured. But too much has, perhaps, been made of this. It is doubtful whether the intervention of Darlan altered the actual course of events by much more than a few hours at the most. The cease-fire was ordered by Darlan when the

fire was ceasing of its own accord, when Algiers and Oran had already surrendered and Casablanca was about to do so. Commander of the French Navy, Darlan failed to influence the fate of the fleet, apparently trapped by the Germans in Toulon harbour. During the most crucial phase—when the landings were being made, when the question whether or not to fight was being debated at every point of resistance, and when there was perhaps still time to bring the fleet to sea—Darlan had not made up his mind how to intervene. It was only when the die had been cast that he claimed the prestige of a *fait accompli*—even to the extent of “appointing” General Giraud, already chosen by his own worth and fame, to be the French commander.

All this, the President says, is temporary. But it is open to ask whether the ephemeral character of his return to power was clear in Darlan's mind when he took upon himself to appoint General Giraud; to proclaim himself High Commissioner; to set up a legislative council; and to vest in himself authority for all French North African administration. His proclamations have had the ring of permanence; and it is hard to escape the conclusion that the President's afterthoughts on his general's action must have come as a shock to the Admiral. What is the Allied intention? Is it to depose and restrain Darlan as soon as the battles in Tunisia have been fought? In its more general passages, the President's statement suggested drastic action of this kind. But there is a phrase which must raise reservations. “The temporary arrangement made with Darlan applies without exception to the current local situation only.” Is the President's meaning then that Vichy, however emasculated, is to remain the symbol of authority in Algeria and Morocco, while other and better Frenchmen speak and work for France elsewhere? Surely it cannot be.

It would be unwise and wrong for any person without all the facts to attempt a final judgment. It is only possible to speak, with a due sense of responsibility, about the impression which this bargain has made; and there is no use or sense in disguising the fact that the impression is ugly. It was no mere doctrinaire attitude which regarded these proceedings with scepticism and alarm. President Roosevelt's promise of liberty, equality and fraternity stirred high hopes in the numberless and nameless soldiers of underground France; and the part which Darlan, with Pétain and Laval, has played in expelling liberty, equality and fraternity from French soil is only too fresh in the memory of these same warriors. Nor is it only France which will be bemused and disheartened by the Admiral's new role. General Eisenhower is undoubtedly entitled, like every invader, to his Fifth Column. But the greatest Fifth Column of all—made up, not of traitors, but of patriots—is the people of Europe, the millions who have been carrying on the struggle against the Third Reich and its quislings, and who look to the Allied offensive to liberate their countries and to restore the independence, the freedom and the self-respect of their nations. They must then have been sadly cast down by the strange political turn that the Allies' first offensive has taken.

North Africa is the first testing ground for Allied political warfare. What is important in this context is the suggestion that amnesty can be granted to collaborators and quislings. Quislings everywhere may even be consoling themselves that, though they now help Hitler to dominate Europe, they still may have a way of escape open in case of an Allied victory. A premium is apparently put upon timely transfers from the Axis to the Allied camp; and there can be no doubt about the demoralising effect that such wrong impressions must have in the occupied countries of Europe—to encourage collaboration and to dishearten opposition at the very moment when resistance to Hitler inside the besieged European fortress has taken on supreme strategical importance. The choice between principle and expediency is no new one in war; and it is never easy. But, even from the viewpoint of expediency, the selection of Darlan as an accomplice, however temporary, must seem an awful hazard.

Two parallel Vichy regimes now exist, under Allied and German control, respectively. They have one characteristic in common—collaboration with the man with the gun. Darlan's stubbornness in claiming allegiance to Pétain, in spite of the Marshal's repeated denials, is significant. His purpose is to defend, not France, but the France of Vichy. He is determined to regard the Marshal as the source of his authority, absurd and untenable though this may seem, because he is determined that the regime which was fastened upon France in 1940, when the Third Republic fell, shall survive, come what may. In the persons of Pétain and Darlan, Vichy is backing both sides; and, by taking Darlan to their bosom, the Allies could scarcely avoid adding to their war aims the unsavoury task of making France free for Vichy—and for all that the Vichy regime stands for, in politics as well as diplomacy. Thus, the President's explanation was heard with relief. But in Britain and in the United States, no less than in France and the rest of Europe, many millions wholeheartedly endorsed the announcement of General de Gaulle and the French National Committee that

They are taking no part whatsoever in, and assuming no responsibility for, negotiations in progress in North Africa with the representatives of Vichy.

This statement came from a man on whom Vichy pronounced the death sentence at a moment when desertion was *de rigueur* in France. In the liberation of France and the French Empire, General de Gaulle wrote the first and most difficult chapter; and on the final pages his name must stand out as bright. In the dark summer of 1940. He has been charged with authoritarian tendencies; and his greatness plainly lies outside the sphere of politics. The greatest need of reviving France is for political spokesmen whose attachment to the principles of democracy has been long-standing and unimpeachable. But Darlan will attract them vastly less than General de Gaulle. Already, it is said, collaborationists, defeatists and fascists like Flandin and Pucheu are creeping under his wing. President Roosevelt may decree that the de Gaullist prisoners in French Africa must be released and that the Jews must be treated in a civilised way. But the political consequences of the deal with Darlan cannot be rubbed out simply by the words “temporary and military.” Actions speak louder than words, even in political warfare.

General de Gaulle issued his statement after he had lunched with Mr Churchill. President Roosevelt made his explanation after General de Gaulle had been frank. It is hard to believe that the politics of this North African episode have the thought-out backing of the Prime Minister, Mr Eden or General Smuts—or even President Roosevelt. This is certainly not to blame the soldiers on the spot. The conspicuous gap in Allied policy has always been the absence of any code of political warfare. The United States State Department has always regarded Vichy with somewhat more sorrow than anger. The soldiers have gone to North Africa, politically in a vacuum; and they have done the best they could to forward their military enterprise. It is of the deepest significance that the first combined attack by the Allies has revealed, first, this absence of political objectives and, secondly, a lack of collaboration among the Allies in this vital field. Soundly, Mr Willkie has demanded that “We must make sure that all these Allied peoples are fighting for essentially the same thing,” and President Roosevelt himself, on the morrow of the temporary and military arrangement in North Africa, broadcast to America and the world on “the United Nations, their creed for a free world.” There is a strange and frightening contrast between the remarkable military co-operation which has altered the entire face of the war in a fortnight and the complete absence of any political counterpart. The victories which Allied fighting men may win in Africa during the next weeks can be wasted if the Allied Governments fail to agree upon banners under which they and all the United Nations, captive as well as free, can march together and with a good heart.

Unity and Compromise

A NEW session of Parliament opened on November 11th. The suggestion of one Member that this would be the last war session was over-optimistic. But, rightly, the change in the military situation which coincided with the opening of the fourth session of war-time was reflected in the greater confidence of the speeches as a whole, and in the happier relations between the Government and the House of Commons.

The King's Speech itself showed a welcome contrast with its predecessors since 1939. They were entirely concerned with the prosecution of the war. This year

My Government's first concern must be to seek and secure the means of achieving complete and speedy victory . . .

A start has, however, been made in working out the measures which will be necessary when peace comes.

It is true that there was little attempt to specify these measures. The announcement that His Majesty's Government has received and is examining the Uthwatt and Scott reports was not news. Nor was the Speech's reference to the Atlantic Charter, or its statement that the Government is consulting with the Governments of the other United Nations on the immediate post-war needs of the oppressed peoples. Of more significance than these wide but still vague post-war aspirations is the promise of immediate domestic legislation to improve the position of old age pensioners and the firm hope that

further progress can be made with plans for the better education of My people.

Here at last is a sign that the Government realises that there are some reforms which need not and should not wait upon victory.

The chief interest in the opening of the new session, however, was to be found, not in the changed emphasis of the King's Speech, but in Sir Stafford Cripps's motion on the business of the House. It has been the custom in this war, as it was in the last, for Government business to have precedence and for only Government Bills to be presented. The justification for this has always been, first, that Parliament's time must be concentrated on measures connected with the prosecution of the war and, secondly, that the moment was inappropriate for controversial legislation to be brought forward. In introducing the motion last year, Mr Churchill quoted Mr Asquith's words on a similar occasion in 1915:

... so long as this Order is in force they [the Government] will introduce no legislation of a party or a contentious character, and that they will, indeed, confine [as we propose to confine] their legislative proposals, unless in some exceptional case in regard to which

there is general agreement, to such measures as may be found necessary to facilitate, financially or otherwise, the successful prosecution of the war.

This year, the Government's attitude has changed. Necessarily, Sir Stafford Cripps repeated the stipulation that Parliament's first concern must be measures “which are vitally connected with the effective prosecution of the war.” But, significantly, he then went on to say

Nevertheless, we have now reached a stage at which it may be necessary for Parliament to consider legislation arising from or out of conditions created by the war on which there is a general measure of agreement.

The change of wording, Sir Stafford told the House, was deliberate. But neither then, nor in this week's debate on the Address, was he definite about the sort of legislation envisaged, except that it will be directed towards post-war difficulties; and the phrase was followed by the usual stipulation that it was not an appropriate time to bring forward legislation “likely to arouse serious controversy between the political parties.”

The altered outlook is welcome, but, unfortunately, too much should not be expected. In the last war, the ban on contentious or party legislation did not preclude the great social reforms—the grant of women's suffrage and the Fisher Education Act—of the last two parliamentary sessions. To-day, however, the far greater unity that has been achieved between the political parties on the prosecution of the war seems to be a serious stumbling-block when it comes to non-war measures. In a recent Lords debate, Lord Snell contended that a coalition Government could not be expected to reach agreement on such a controversial matter as planning. Last week, Sir Stafford Cripps pointed out that there are Members of Parliament and others who want no changes which would affect the post-war situation in the country, while others again would like changes which would make “a very great and profound effect.” He then said:

In a condition of unity and compromise, obviously neither side can wholly get its own way. It is a very difficult balance to hold, but it is the function of His Majesty's Government to hold that balance. . . .

On Wednesday, he elaborated the same theme.

It is, of course, true that if compromise were to be thrown over, unity might be sacrificed as well. Justifiably, the Government may feel that such a price is too high. But there is surely a vast difference between compromise and deadlock, between neither side getting all its own way and no positive action at all. Sir Stafford Cripps himself said this week that political unity must not stultify Parliament as a democratic body. Moreover, all the party leaders have spoken in favour of a continuation

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of the present coalition for at least three years after the war, because reconstruction, they have argued, is not a matter of party politics. In the light of the limitations on policy and legislation accepted by the wartime coalition this becomes not a promise but a serious threat. If it means that there is to be the same agreed timidity in dealing with the great issues of the post-war world as there is now in deciding whether or not to accept the Uthwatt recommendations, it will be reconstruction's death knell. If every advance in policy is to be smothered, both during and after the war, by the need for agreement, then this indeed is a price that is too high to pay.

The truth is that the Government is over-sensitive on the question of unity. The national unity that exists to-day—the unity of the people, that is, as distinct from the nice and negative equilibrium of cliques and individuals—is far too sturdy to be broken by disputes and disagreements inside Parliament. As Mr Greenwood said in the debate on the Address,

I think we could stand a good deal of hammer-and-tong controversy in the House without in any sense impairing the national spirit of unity of will for the purpose of winning the war. After all, it is the strength of the House of Commons that after the cut and thrust of debate . . . it can agree to differ and accept the decisions reached.

And there is no doubt that the people are prepared to go much farther along the road of reconstruction than the Government is at present allowing them, just as they have always been morally ahead of their leaders in the unfolding of the war effort.

It would be the greatest and most fatal of mistakes if the Government were to compromise so much that it ended up by wasting and frustrating unity itself. It is, for instance, reported that Mr Bevin's proposed Bill for regulating working conditions in the catering trades will be withheld because of the opposition of a minority in Parliament. Yet there has surely been "a general measure of agreement" on the principle of trade boards for industry for a long time past; the opposition to it from the caterers is, on the other hand, particular, not general. On any issue, when the Government assesses the

measure of agreement, it might, very reasonably, also attempt to assess the nature of the opposition and determine whether it is broad and general or narrow and particular. Another danger is that, even when agreement has been reached on the need for some measure, the resulting legislation may be too timidly conceived. There is to-day broad agreement among all parties on the need for educational reform, but there is far from agreement on its scope. Consequently, there is a serious possibility that the new education Bill envisaged in the King's Speech will be another compromise, another in the long line of pseudo-advances which, in practice, have barely amounted to marking time. Is it unconsciously or with intent that, in his recent utterances on the aims of reform, Mr R. A. Butler, President of the Board of Education, has replaced "equal" opportunity by the phrase "equivalent"?

It is admittedly not easy for a Government, at a time when there can be no appeal to the people, to decide how far it can go in the way of reform. Nor, however, is there any reason why a Government should expect to do only easy work. Indeed, in the context of active democratic politics, it will be a gain that the less the Government compromises and the firmer the line it takes, the better chance there will be of the real fundamental cleavages, which cut across party affiliations, becoming apparent. Despite the declarations of Ministers, it would be a grave setback for the democratic cause in this country if the present Government and the present Parliament were to continue in office for three years after the end of the war. It will be a setback no less serious if, while the war continues, unity is held to mean agreement to do little or nothing towards the solution of the crucial problems upon which reconstruction depends. When solidarity and the sabotage of all policy come to mean the same thing, democracy becomes bankrupt. Checks and balances replace the people as rulers, and interested minority groups call the tune from the wings. It is imperative that the real issues should be put before the people as soon as possible, but they will not be thrown up if the Government deems its function to be the purely negative one of holding the balance between the extreme reformers and the extreme reactionaries.

Responsibility in Production

THE war industries can no longer expect large numbers of new recruits or a substantial increase in the supply of materials. But war output, in terms of striking power, has not yet reached its peak. Two additional steps are necessary. The first involves an increase in the yield of munitions per man employed by making better use of available resources, the second is still greater improvement in the design and quality of fighting equipment. In its eighth report of the current session, published last March, the Commons' Select Committee on National Expenditure submitted a number of recommendations under these two headings. Since then, progress has been made in both directions, owing partly to the initiative of the Minister of Production. A month ago, Mr Lyttelton announced the details of a programme designed to increase production by a more careful application of men and women to available machinery; simultaneously, steps have been taken to secure greater speed in the qualitative improvement of weapons.

In its eighteenth report, published last week, the Select Committee acknowledges the progress made since the early part of the year in the arrangements for "providing the fighting forces with the right weapons at the right time." But it has proposals to make for a further advance. The Committee has been informed by the Prime Minister himself of proposed changes in organisation designed to result in more rapid improvements in the quality of equipment. Since the new arrangements are not yet final, the Committee feels bound to emphasise the factor which is, in its view, the crux of the problem, that is, the need for a clarification of responsibility.

In its earlier report the Committee reached the conclusion that

In the matter of settling the design for the weapons of war and the relative quantities of each that are required . . . the programme for manufacture as transmitted to industry shows signs of inadequate foresight and sureness of decision, as well as a tendency at times to give consideration to producing the maximum volume of certain articles rather than the exact types required by the fighting forces.

The Committee lays down three guiding principles for reform. First, in order to secure greater speed of decision in matters of production, responsibilities should be clearly defined and should rest on individuals rather than on committees. By way of example, the Committee tests the new arrangements for supplying materials to the Army. Responsibility for formulating the Army's requirements under the Secretary of State and the Chief of the Imperial General Staff is now centralised in the new post of Deputy CIGS. In practice, however, the task of the Deputy CIGS is so complex that he can only discharge it efficiently if the nature of the precise responsibilities carried by the officers, directorates or committees on which he relies are also clearly defined; and if weapon requirements are always formulated in the closest contact with producers and users. In justice, it must be said that recent changes show an appreciation of these needs; but the Committee is plainly right to insist upon a further clarification of responsibilities, wherever possible.

Secondly, the Committee suggests that, for important weapons such as tanks, with all their accessories, a com-

plete, self-contained and functional organisation should be set up, at the head of which there should be one man, "in the position of a managing director," with full responsibility for

organising and directing all the activities that go to produce the finished article, including (a) research, design, experimental work, tests and trials; (b) production; (c) progressive modification and adaptation in the light of practical experience.

The statement received by the Committee from the Prime Minister, explaining the changes made or proposed in the organisation at the War Office and the Ministry of Supply, suggests that this principle has in fact been adopted for armoured fighting vehicles. But a number of problems have still to be settled. Not the least important of these is the need for a clear definition of scope. Does the competence of the new tank organisation, for instance, include the guns to be carried in the tanks? What is its relation to the Director of Artillery? And certainly the Committee is right when it urges that the principle of the functional organisation with a single, responsible, head should be extended to other types of equipment in addition to tanks.

Thirdly, the Committee emphasises that, from the outset, the closest relations should be maintained with the manufacturing firms chiefly engaged on the production of the equipment concerned; and that there should be continuous contact between manufacturing concerns and actual Service users. In the past, when trial and error were still the rule, resources were often wasted through lack of efficient liaison between Government departments and producers. The knowledge and experience of fighting men was often insufficiently used in matters of design; they were often consulted too late or inadequately informed about production plans and their purposes. Those were the bad old days; the quantity and quality of the Eighth Army's equipment in Egypt make an impressive proof of a new enlightenment. But there can be no rest; Allied fighting men must be superior, not equal, to the enemy at all points in their equipment. In the delegation of responsibility to manufacturing concerns there are still problems of considerable difficulty to be solved; and the Committee is by no means hypercritical when it draws attention again to the need for a greater clarification of responsibility.

The Committee distinguishes four aspects of responsibility in the designing of war equipment. There is the responsibility for devising a particular weapon or item of equipment to meet a definite purpose; the responsibility for checking its worth in battle; the responsibility for giving drive and urgency to the execution of the design; and the responsibility for saying "Go ahead with production." In civilian industry—in deciding on next year's model for a motor car, for exam-

ple—these four responsibilities are carried by the head of a business. In war production, they must be divided between Government departments and industrialists; and the difficulty is to know just exactly how. Responsibility for the initiation of designs requires qualities of originality and imagination, and close contact with those who have to carry out production. If it is left entirely with private firms, the fear of being blamed for producing a design which will not stand the test of battle and the consequent attempt to produce the "perfect" design makes for delay. On the other hand, designs devised by Government departments have often betrayed a serious lack of knowledge of actual production conditions and methods and of the need for economy in man-hours, materials and machines. Responsibility for checking battle-worthiness and for deciding to start production must be the Government's. But if those duties are performed by committees, there is too often laggardliness; and the responsibility for giving drive and urgency to the execution of designs is blurred.

Actual practice in the distribution of responsibility for design varies from department to department. This in itself, as the Committee points out, points the need for investigation. The Government, clearly, cannot delegate full responsibility to private firms for the design of mechanisms whose performance is of vital importance; nor, on the other hand, can a design be created which is both effective in battle and economical in production without the closest liaison between Government departments and industry. The Committee holds that, given three conditions, the dilemma can be resolved. First, the job of designing—an "artist's job"—should be entrusted to suitable individuals; secondly, there should be an unambiguous delimitation of responsibility; thirdly, there should be a Government official with overriding power and responsibility for each of the main categories of equipment—that is, "the managing director" proposed by the Committee in its second principle of production and already appointed for armoured fighting vehicles by the Ministry of Supply.

In the main, the Select Committee was guided in its recommendations by inquiries into the production of equipment for the Army; but they are equally applicable to the other supply departments. Moreover, the extension of the principle of individual responsibility is as important in the effort to increase output from existing resources, by improved technique and organisation, as it is in the task of improving the quality of weapon design. If striking power is to be raised to the peak in time for the battles ahead, none of the further advances advocated by the Committee to ensure correct and decisive action can be ignored or dismissed.

Instruments of Government

A COMMITTEE of Ministers and an interdepartmental committee of permanent heads of departments are said to be at work considering, *inter alia*, the machinery of government. This appears a prime example of the right thing being done in the wrong way. Obviously, it is all-important for the working out of post-war policy that the administrative machine shall be fully and efficiently designed. Equally obviously, men who are in charge of departments, with all the prejudices and interests as well as the duties of their office, are the wrong people to survey the scene, at the height of their wartime activity. The reason why the Haldane Committee on the Machinery of Government at the end of the last war proved abortive was that, by and large, neither the Government nor the Departments took any notice of its recommendations. This committee is likely to be equally futile for a different reason. Hardly capable of an objective standpoint and hectically engaged elsewhere, the members of this committee can

scarcely be expected to make any fundamental recommendations for reform.

Admittedly, the machinery of government must be among the first on the list for reconstruction. All the rest of reconstruction will depend for its effectiveness upon the instruments by which it is applied. Moreover, there is now no need for deep research or long-drawn-out deliberation. The work has been done. The Haldane Committee itself made it plain that the first task is to place departmental functions of government in broad, analogous groups under the eye of individual Cabinet Ministers, so that the Cabinet has a broad surveillance of all that is going on. It made it plain, too, that departmental functions themselves must be continuously revised and re-allocated to remove overlapping, anomalies and anachronisms. Everything that has happened in the last twenty-five years has given point to these proposals. Willy-nilly, a system of Cabinet committees has been devised by which Departments carrying out continuous

duties come together for consultation and co-ordination. The pressing needs of war administration have brought this system to a new stage of development; the ideal of a Cabinet made of non-departmental Ministers, each with his group of departments to watch at one remove, has come in sight. And, where the grouping of allied functions under a single eye has not made progress, as in the case of relations with foreign countries—commercial, industrial, economic and political relations, as well as diplomatic—the gap has been sorely felt.

In addition, war experience, by testing the departmental structure of British government, has revealed certain deficiencies. For instance, there is clearly a need, after the war, to retain the Ministry of Food in order to operate a nutrition policy, the necessity for which became apparent in the pre-war years and has since been reinforced by wartime rationing. Again, just as the separate working of Supply Ministries in the provision of war goods showed the need for a central Ministry of Production, so the industrial problems of demobilisation and of remobilisation for peace purposes will urgently require a similar central organ. On the human side, too, the departmental structure has been proved deficient. Lord Nathan has pointed, for example, to the need for a Department of Welfare to oversee and safeguard the problems of homes and families, taken as entities; and this need will be greater not less when the men and women who have been serving in the forces or in factories, and the families which have been evacuated, return to seek a home and the food, clothing, shelter and employment that they have a right to expect. The Ministry of Social Security, which it is reported that the Beveridge inquiry will recommend, to integrate and co-ordinate all social payments to unfortunate and incapacitated citizens, according to common standards of need and administration, would not be a substitute for this Department. It is a prime fault of social service administration as it has grown up, that it only regards families as entities in the application of means tests. For the rest, the social

services deal with individuals only, and then solely as poor individuals, sick individuals, disabled individuals or unemployed individuals—never as whole men. Still less are they regarded, administratively, as members of a home and a family. There is almost certainly room for such a Department, working in the closest connection with the Ministry of Social Security (if such a Ministry is set up) and with the Ministry of Labour and National Service which, by reason of its control and supervision over the whole field of manpower, has unique functions to perform in the process of demobilisation.

These decisions are crucial for the whole future of democratic policy in this country; and it is vastly important that the right decisions should be made with the utmost promptitude. Far better than the present harassed committee of Ministers, each with his departmental prepossession or axe to grind, would be a small body of expert and knowledgeable people, with experience both of government and of politics, and under the chairmanship, say, of the doyen of British governmental practice, Lord Hankey. Such a committee could carry out swiftly the three jobs to be done. The first is to recommend without reservation the grouping of departmental work under Cabinet inspiration and supervision, with a special eye to the great groups of Foreign Relations, Industrial Development and Social Security. The second is to revise and tidy up the functions of the Departments, and to insist upon the key importance of such new peacetime agencies as a Ministry of Food and a Department of Welfare. The third is to demand that, with the machinery of government properly made, the process of government should be imbued at every stage from the Cabinet level down to every civil servant in a key position, with the power and the responsibility as well as the expert assistance to act promptly and efficiently. Like every other form of government, democracy will be tested, not by what it says, but by what it does. The rigours of war have proved this beyond a doubt; and the opportunities of peace will demonstrate it doubly.

NOTES OF THE WEEK

The Test

To the triumph of the Eighth Army has been added a new success by the American Navy off the Solomons, where the efforts of the Japanese to hold the islands has again been rebuffed at a crisis. In both Africa and the Pacific, however, the crucial actions have still to be fought. So far, the advance in North West Africa has been a progress rather than a campaign, a vast feat of strategical manoeuvre and surprise, a great exercise in the movement of men and supplies, but not yet a victory in the field. Hitler, shocked by defeat in Egypt, and seemingly too weak or too late to outflank the outflankers through Spain or Turkey, has apparently chosen to stand in Tunisia, for a time at any rate, in defence of a bridge and a bridgehead. Allied fighting ships control the Western Mediterranean; and Allied fighting planes can give cover again in the Eastern basin; from their bases in Italy, Sardinia, Sicily and Tunisia, it is the Axis task, against what should be losing odds, to deny the through passage—and to hold apart the First and the Eighth Armies. Everything that has so far been achieved in the first phase of offensive has now to be proved in battle.

Benghazi—and Bizerta

The two great operations in North Africa have not yet become one. The Eighth Army in Libya advanced more than four hundred miles in a week, occupying Tobruk, Bomba, Derna and Mekili, and at the time of writing is half way moving hot-foot to Benghazi. The First Army, to the west, has penetrated Tunisia; a very large airborne landing has captured a key airfield. The Germans claim to have established a sea and air bridge between

Sicily and Tunisia for their reinforcements. The strategy of both sides is now clear. That of the Allies is to catch the Axis forces between the advancing Eighth and First Armies and effect a complete victory. That of the Axis is to move away in Libya ahead of General Alexander's force until a delaying stand can be made—perhaps at El Agheila. In the meantime, such troops as can be rescued from Libya by air and such forces as can be spared from the European strategic reserve are ferried into Tunis to make a bridgehead. Axis propaganda dwells on the advantages of Bizerta rather than Benghazi as a base—the distance from Sicily being only about 100 miles. It is now clear that the original German paratroops dropped in Tunisia at the end of last week represented far more than the demolition squad which the optimists believed. They were the spearhead of a desperate and audacious attempt to retrieve the situation in North Africa; they were Rommel's reinforcements, landed not in Libya but further down the coast. The success of the battle for Bizerta is as vital to Allied grand strategy, which requires complete control of the whole north African coast, as the success of the Solomons battle in the Far East.

Second Round in the Solomons

The striking naval victory which American surface forces won against the Japanese on the night of November 13 may at last have secured Allied control of Guadalcanal. It was a most timely demonstration of the power of surface ships when properly and boldly used. Admiral Nimitz, who commands the United States Pacific Fleet, has stated that, without the reinforcements which the Japanese task force failed to bring in, the enemy in

Guadalcanal is outnumbered and can be eliminated. This, more even than the grievous Japanese loss of twenty-three ships, including one battleship and three heavy cruisers, is the significance of the victory. The Japanese will, of course, come again. Clearly, they must make another attempt to bring up their reserves, now held at Rabaul, or else they must radically modify their entire project for the investment of Australia. In all probability, they will attack again in force, and in the near future. But the battles for Guadalcanal are bleeding their strength in a sea Verdun; and their attention is at the same time being distracted by the vigorous campaign which General MacArthur is conducting in person in Papua, and which may well end in a Japanese Dunkirk at Buna. The Japanese base at Rabaul is under heavy strain to receive and despatch units to and from New Guinea and Guadalcanal. Unremitting attack, to rob the Japanese of any chance of leisurely refitting, or staggering the peak load, offers a high reward for the Allies. And a third round knock-out in the south-west Pacific would bring the Far Eastern war vastly nearer to its end—at least to the end of the beginning, which has already appeared, it seems, in Europe.

The Menace

General Smuts has asked for a supreme command to concentrate all Allied skill and resources against the submarine. He is, of course, right to pick out the U-boat as the main threat to Allied victory. It is one of the ironies of warfare that, in spite of all the technical advances which have been made, in spite of the vast paraphernalia of air power and the formidable development of mechanised land fighting, Germany's most pointed weapon is still the same as it was in 1914-18. That this should be so is, of course, inherent in both history and geography. The British Navy, now in combination with the American, has ruled the seas since Trafalgar. But Britain is a small island, and both the British Commonwealth and North America are thousands of sea miles from Europe. Command of the sea cannot in itself dispose of the vulnerability of these long sea ways, so that the one means by which the enemy can hope to prevent the concentration of a force—which must be overwhelming once it is concentrated—is to strike at Allied shipping from under water. Now, attacking no longer but defending, he falls back on the submarine, his first and last hope. But General Smuts' proposal for a supreme anti-submarine command appears to be based upon a misconception. It is true that the pooling of all Allied ingenuity might provide some new means of protection against the U-boat. But, in the main, it is not new defences that are needed, but more defences. The submarine is not a secret weapon. Far from it; the way to master it is well known. The problem is quantitative. If every ship at sea and every convoy can be given the protection which was afforded to the African armada—the finest target in itself that a submarine commander could wish to see, and it went undamaged to its destination—the submarine would be beaten. The ways of defeating Hitler's last offensive at sea are the old familiar ways—more convoys; more escort facilities; more patrolling aircraft; and the utmost possible economy in the use of shipping by civilians everywhere.

Inside France

The first week of the second German occupation was spent by the men of Vichy in ceaseless conferences, in search of a way out of the internal impasse into which they had been flung. Pétain was trying to preserve his regime, and save his face, to play simultaneously the two rôles of sovereign and hostage. This attempt to achieve the impossible was made even more unreal by the dissension and confusion within the Vichy camp itself. The regime proved incapable of collecting its *membra disjecta*. One of those, M. Pucheu, Pétain's former Minister of the Interior, a sinister Vichy figure, has landed in Africa to join Darlan. Doriot and Déat are hailing the completion of the *Révolution Nationale*; with the German army in Marseilles, France, they say, has finally been included in the framework of the New Europe. The new situation demands a thorough purge of the regime. *Attentionisme* has become untenable. Its most genuine representative, General Weygand, is reported to have been arrested; and the heads of Barthélemy, Admiral Auphan, and others have been asked for by the Germans. Amid this mêlée, the

Quixote of French neutrality preferred to confer his powers upon his Sancho Panza. Pétain has in effect abdicated, and left the dirty work of purging the regime to Laval. But before stepping aside he gave his blessing to the new dictator. There can be no doubt that Laval will use his powers to harness France to the German war machine as closely as possible. And it will depend not on his good will, but on the extent of the resistance of the French people whether the Fuehrer's desire to see Frenchmen fighting alongside Nazis will come true or not. In the meantime, Hitler is trying hard to make the pill easier to swallow. The new occupation, it has been explained, is occupation at all; the German army has traversed southern France as if in transit—and to confirm this, the old demarcation line between the two zones has been maintained. Thus, a demarcation line between two occupations remains as the symbol of French "independence." A most tangible proof of Hitler's "good-will" has been the announcement that the methods of requisitioning used in the north will not be applied in the south; soldiers have been forbidden to buy in the Midi, the franc has remained the only currency valid in the former unoccupied zone, and the Swiss border has again been manned by French soldiers. All these moves betray Hitler's uneasiness; he seems to be aware that the ground he treads on, France itself, is a huge minefield.

Non-Belligerent or Neutral?

Europe's neutrals, quick to detect a shade of emphasis in a matter in which they can claim the expert knowledge of long and varied experience, suggest that events in North Africa have made Spain more neutral than before. For whatever the outcome, Spain is facing a crisis. German troops now man the entire length of the Pyrenees frontier with the exception of the Andorran enclave, whose territorial integrity Hitler has, perhaps ominously, announced his intention to respect. There are undeniably some military factors which suggest that the Axis might derive advantage from the occupation of a friendly Spain and, in particular of Tarifa Point, overlooking the Straits of Gibraltar. This would be the outflanking reply to Allied encirclement. There is, from the Nazi standpoint, the continuing deterrent of the almost catastrophic food situation in Franco Spain, which is only rendered tolerable by the assistance of Allied imports. No doubt, the diplomatic contest is still being waged behind the scenes. A few pointers have become public knowledge. The Spanish press gave considerable publicity to the Allied guarantees of territorial integrity. On November 13th, the Wilhelmstrasse specifically denied that a German occupation of either Spain or Turkey was being contemplated. The new Spanish Ambassador to Berlin was not received on his arrival by Ribbentrop—a fact which may be wholly without significance. Yet the Spanish Government is apparently implementing defence measures. Partial mobilisation was decreed on November 17th, and, in Spanish Morocco, General Yaguez, who distinguished himself in the "War of Liberation," has been appointed Governor. The Caudillo, it seems, has received a sop in the persons of certain leading Spanish Republicans; many of them elderly, who were interned in Vichy France. They will be tried in a military court. The evidence does suggest that the Spanish Government would make a fight for its neutrality. The Germans no doubt realise that loss of influence in Tangier and the Spanish zone would almost certainly be the price of interference in the Peninsula. It is for Hitler to decide where the balance of advantage lies.

Apologia

To the German people, Rommel's defeat in Africa is still only a setback. The propagandists have been busy. They have spoken of a temporary reverse in the inevitable change

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ing fortunes of desert warfare, of successful rearguard actions, of brilliant exploits in disengaging forces from the enemy who is himself confronted with the difficulties of lengthening communications. Even if Egypt is of vital importance to Britain, the Germans are told, it is no more than a minor outpost for Germany. One wonders whether, even after nearly a decade of Nazi news, the citizens of the Reich are so easily misled. Like the British people, they must know that many of the phrases used to explain away the retreat are no more than the familiar euphemisms of military disaster; and they cannot have forgotten the lime-light which has been so consistently played upon Rommel's African adventure and the march to Suez. Nor can they have failed to notice a significant change in the presenting of the news. Gone are the speed in reporting events, the wealth of descriptive stories from the front line and the fullness of expert comment to which they have been accustomed in other campaigns. Indeed, they have found their publicists much more concerned with the political explanation of events than with their military aspects. It has been a main part of Nazi propaganda that Africa is part of the *Grossraum* of Europe, a *Grossraum* already established by collaboration between Germany, Italy, Vichy France and Franco Spain. Now, suddenly and without warning, an important segment of the new *Grossraum* has been cut away. The problem for the Nazis is to explain this. In the first days of the Allied Grand Design, the episode was described as a brutal attack on the French people, an act of aggression and treachery, a breach of international law. Strong counter-measures were promised—and described. Vast submarine successes were claimed. But the facts were intractable. The rushing of Axis reinforcements to Tunisia was not mentioned until a week after the first reinforcing troops landed. Nor were political developments helpful. When Darlan first spoke in favour of the Allies, his statements were described as British forgeries. Then, a few days later, Pétain's denunciation of Darlan, admitting Darlan's change of front, was quoted without comment. Now, according to the latest German news, the Arab population of Oran is "in revolt" against American soldiers, while the natives of Tunisia are "collaborating actively" with Axis troops. So the attempt is made to keep up the fiction of *Burafrika* bound to Germany and German aspirations by links of loyalty and leadership. The Anglo-American attack is explained, not by the weakness of the Axis hold on Africa or by the readiness of African populations to greet the new invaders, but—astonishingly enough—by "revelations" of Anglo-American differences. Mr Churchill, it is said, wanted to invade Europe across the Channel; but, after the failure of Dieppe, he had to give in to American plans to make French Africa an American colony. Inevitably, documents have been "found" at the American Embassy in Vichy to prove all this. The intention is to explain away the greatest potential menace with which German Europe and Nazi Germany have been confronted. It seems more than likely that the Germans will learn, as the British did in the days of defeat, that propaganda must be proved by deeds to be effective. Facts, like murder, will out.

Painful Progress

An article on page 623 discusses the apparent difficulty which the Government finds, being a coalition, in arriving at decisions. Planning, which Lord Portal reviewed in the House of Lords on Wednesday, is a prime example. It seems that the parties have not yet been able to agree upon the proposals of the Uthwatt Report for solving the interlocking problems of compensation and betterment—the problems which, as the Minister of Works and Planning said, have hitherto been "a main obstacle to good planning." Without a decision on this matter there will be no effective planning; and, in the columns of the press and elsewhere, there are already signs of the stiffening opposition against any attempt to tap betterment values. Throughout Lord Portal's statement was guarded. Still, in general terms, the Government agrees that reconstruction areas must be planned as a whole, and that additional powers for the compulsory purchase of land are necessary; and various recommendations are being "carefully examined." But the Minister gave no indication that any perceptible headway is being made.

General Work?

The changes in the fire guard scheme, announced by Mr Morrison this week, are welcome insofar as they are

an attempt to ensure that men do their full share of fire guard duty. Thus men who do no duty at their place of work and who live in an area where compulsion has not been applied may be compulsorily enrolled for duty in any part of the area where they work; in "special areas" this will be enforced even if they live in an area where compulsion is applied. Moreover, to make more men and women available over a certain area, fire guard duty at business premises will henceforward not be shared equally among all the workers; instead, the required number will be designated for the premises—on the basis of 42 hours' duty per person per month (48 hours less six hours margin for such contingencies as sickness and leave)—and the remainder will be available for duty elsewhere in the area. This is a wise step towards rationalising the fire guard. So, too, is the prescribing of "special areas" in which all men, or if necessary all men and women, who work there may be posted to any part of it. But when they show that Mr Morrison has given way to the clamour to relax the obligation on women to do fire guard duty, the changes are undesirable. Thus women will not be liable for duty at business premises until all the available men are fully employed as fire guards; and Mr Morrison can prescribe certain premises, or parts of them, as unsuitable for the compulsory performance of fire guard duty by women—in a "special area" he can prescribe whole areas as unsuitable for compulsory duty by women in business premises, though not in residential districts. This is frankly a concession to that austere and authoritative body, the Liverpool City Council, whose male members have objected so vociferously to women being made to do duty in the docks.

The danger is that concessions like these weaken the whole case for equal compensation for women. That case, as does the case for equal pay, rests on the argument that women do the same job as men. If the advocates of equal compensation are now refused their demands, it may well be because the Government can reply that the dangers and responsibilities which women are made to undertake are not equal to men's. It will be a dishonest reply, because the Government has always been against equal compensation, or it would have announced it when compulsion for women was introduced. But it will be difficult for women's champions to counter it. Full allowance should, indeed, be made, in administering compulsion, for women's domestic responsibilities—which are extra work that men do not have to do—but the legal obligation on women should be the same as it is for men if the unanswerable case for equal treatment is to retain its full force. The professed spokesmen of women's rights in that matter have been singularly slow to take up this point. And one of the sad results will be that, irrelevantly but inevitably, the case for equal treatment and equal pay for women in the Services—where the claim for equality is opposed, not by city fathers, but negatively by the pusillanimity and inertia of high women officers who have their positions to consider—will be correspondingly set back.

Women Engineers

The Rules Revision Committee of the Amalgamated Engineering Union have been meeting in Leicester this week to work out the details of the admission of women members, the matter having been established in principle by a recent ballot which resulted in a substantial majority in favour of their admission. The AEU Monthly Journal has described the decision of its members as "rather a leap in the dark." It certainly marks a new stage in trade union practice. Apart from the Association of Engineering and Shipbuilding Draughtsmen and the Iron and Steel Trades' Confederation, the unions catering for workers in the engineering and allied industries do not admit women to their ranks. The tradition of excluding those who have not undergone a long apprenticeship, and prejudice against the employment of women as skilled workers, die hard; but the large-scale introduction of women to the industry since the war and their employment on skilled and semi-skilled work have brought about an altered attitude. The Committee will not only have to consider the appropriate rates of contribution and benefit for women members, but the complicated question of lines of demarcation. There are now over a million women trade unionists and the majority of those in engineering belong to the Transport and General Workers' Union or the National Union of

General and Municipal Workers, which have 250,000 and 240,000 women members, respectively. It is difficult to foretell how many women will wish to join the AEU and what proportion of these are at present completely unorganised and what proportion will be drawn from the General unions. The AEU are anxious not to "poach," but undoubtedly many women engineers will be attracted by the prospect of belonging to a union with the tradition and prestige of the AEU—it has increased its membership by 150,000 in the last nine months and is now over 700,000 strong. This does not mean that the General Workers' unions have not done well by their members; on the contrary, both they and the AEU have negotiated important agreements establishing the principle, at any rate, of the "rate for the job" for women who replace skilled men. The claim for a higher minimum rate for general engineering, which the General Workers' unions put forward, is now under discussion; a deadlock has been reached between the unions and the Employers' Federation who have proposed a completely new basis, and the dispute is being referred to the Minister of Labour. Quite apart from the wages issue, however, it is only logical from the point of view of modernising the structure of Trade Union organisation, that women engaged in engineering should be allowed to belong to the union that caters for engineers.

The Offensive Pound

The first currency to be issued by the British military authorities has made its appearance in French North Africa. The enemy has set many precedents for this step. The *Reichskassenscheine* have faithfully followed in the wake of the German invading armies. The military yen has percolated throughout the Japanese "co-prosperity sphere." The appearance of the military pound is but another symbol that the turning point in the war is now being rounded; sterling is now on the attack. These notes are in the denominations of £1, 10s., 5s., 2s. 6d. and 1s. They are shown to be "Issued by the British Military Authority" and will be used for the payment of British troops in French North Africa. The notes are legal tender only in the territories in which they are issued. Why, it may be asked, was it necessary to make this special issue of military sterling? One of the reasons is that to have used the money current in this country for the purpose of paying troops in North Africa would have been tantamount to driving a coach and horse through a carefully regulated system of exchange control. It would have provided a heaven-sent opportunity for the enemy to rid himself through agents in these territories of the substantial amount of Bank of England notes which must have fallen into his hands during the overrunning of the Low Countries. Similar arrangements have been made for the payment of American troops, who will receive dollar notes of the familiar pattern, but with a distinguishing mark which deprives them of their legal tender attribute in the United States. The rates of exchange fixed by the military authorities are £1=\$4=300 North African francs. The choice of this rate was necessarily arbitrary. The figure falls approximately half-way between the last official rate of the French franc, 176½ to the £, which incidentally still applies to the francs circulating in Fighting French territories, and the open market rate of about 550 francs to the £ which has recently been quoted in Tangiers for Algerian francs. In an article on French North Africa, on page 635, and in a Finance Note on page 641, reasons are suggested why the rate of exchange chosen for the military pound is fair.

Tunis, Corsica, Nice

The Italian press is treating the occupation of Savoy, Nice and Corsica with great reserve, and for some days no mention was made of the arrival of Axis forces in Tunisia. Neutral sources suggest that the occupation has in fact put some heart into the Italian population and provided some counterweight to the news of defeat in North Africa, which has not been concealed, and the renewal of air raids on Genoa, which cannot be concealed. The fact that the Italians have given the Vichy authorities an assurance that the occupation of French territory is a purely defensive measure, which does nothing to modify the legal position existing since the Armistice, has been concealed from the public—though, on the other hand, the suggestion of territorial gain has been conveyed only implicitly. The dominant theme in the press is the denial

that Italy is the weak spot in the Axis armour—that the North African victories are the prelude to invasion. This is a line of approach which is probably designed mainly for German consumption in an eleventh hour attempt to prove that Italy needs no "protection." It still remains uncertain whether Italy will be formally occupied by its allies or whether its status will continue to be that of a "Vichy" power—a puppet ally. The authorities clearly realise that the situation is critical, and the Fascist Party is attempting to strengthen its hold on the home front by renewed exhortations and minor local purges.

The Trade in Thrift

In its report on manpower in banking and insurance, the Kennet Committee readily accepted the view of the associations of employers and workers that the scaling-down of industrial assurance is undesirable and impracticable. In doing so, the Committee appears to have been impressed by the argument that, as "thrift organisations," the offices are doing valuable work in encouraging small savings and making them available to the Government, and that they are thus withdrawing from the public a large volume of purchasing power which "would otherwise promote inflation." It is surprising that the Kennet Committee should have been influenced by such specious arguments. To contend that the industry's personnel, amounting to 95,000 men and women last June, cannot be reduced because it is responsible for collecting between £70 and £80 millions in premiums each year, out of which the offices are investing annually between £25 and £30 millions in new issues of Government securities, would be absurd. A more uneconomical way of transferring purchasing power from the public to the Government could hardly be imagined. In the concentration of industry scheme, the fact that a profitable firm has been in the habit of investing part of its income in Government securities has never been recognised as a reason for special treatment. At this stage of the war, the only valid question is whether or no the services provided by an industry are essential to the community and, if they are, whether they could not be



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performed more economically. As long as ten years ago, certain aspects of industrial assurance came in for severe criticism by a committee on industrial assurance under the chairmanship of Sir Benjamin Cohen, which reported to the Treasury in 1933. It accepted the view of the National Union of Life Assurance Workers that "a proportion of these policies on the lives of parents and other permitted relatives are purely speculative." In part, this explains why the number of paying policies, given at £90 millions, is nearly double the population. Moreover, management expenses are very high and, during the year preceding the war, absorbed about a third of the premiums collected; in some offices the expense ratio exceeds 40 per cent. True, industrial assurance is not confined to the provision of funeral benefits, and it provides for endowment policies which combine funeral benefit with the payment of a lump sum at the end of an agreed term of years. But the Cohen Committee reached the conclusion that this is "an expensive form of saving." While rejecting compulsory amalgamation on grounds similar to those given by the Kennet Committee, the Cohen report recommended the statutory limitation of expenses. If this suggestion had been adopted by the Government, the efficiency of industrial assurance would have been increased. But if it was thought possible and desirable to render this form of insurance more economical in times of peace, the argument for more economical working, in terms of manpower at least, is surely unanswerable now.

Less Milk

The forecast cut in the milk ration for the ordinary consumer will take effect from Sunday, November 22nd, when the maximum allowance will be 2 pints a week. Last year, dairymen were allowed to sell any surplus they might have "off the ration." This year, they will still be allowed to do this for any odd bottles they may have over; but under the new distribution scheme it is not expected that they will have any big or persistent surplus, for they will be expected to report their surpluses to their area offices, which will arrange for its distribution elsewhere. Thus, the national supply of liquid milk will be distributed more evenly over the country than it was last year. In spite of this, the Ministry of Food cannot guarantee that 2 pints a week will be available to every ordinary consumer, especially if winter transport difficulties arise. Hopes, officially expressed, that there would be more liquid milk for ordinary consumers this winter than last have consequently not been fulfilled. It is no use crying over less milk, but it would, in view of these official hopes, be interesting to have an official estimate of the extent to which it is due to a failure in production or to a higher demand, respectively. More priority consumers may this year be taking up their full ration than did so a year ago, which is all to the good. Moreover, condensed milk, which in peacetime was frequently preferred, especially by poorer households, and which last year was distributed by dairymen as part of the milk supply scheme, is this year only available on the surrender of points. There is thus a deterrent to its consumption, because the household milk powder, whatever its virtues, is no substitute for condensed. Former consumers of condensed milk have probably, therefore, been taking up their full liquid ration. On the other hand, it is difficult to believe that, in its earlier hopes of a larger liquid ration this winter, the Ministry of Food based its calculations on the assumption that the full ration would not be taken up by each consumer, whether priority or not; if it did, it was most improvident. If it did not make this assumption, the disappointment cannot be due to a higher demand, since demand is restricted, but to a failure in production. Even within the ban on

statistics of production, some statement seems called for on whether more milk is actually being produced this winter than last.

Housing Needs

The Minister of Health has given an impressive figure for the number of bomb-damaged houses in England and Wales—2,750,000, or one in every five. But the figure does not mean very much. Major and minor damage (apart from broken windows) is lumped together. A house destroyed and a house which is readily repairable each count as one. The figures of human air-raid casualties, if they were not divided into those killed and those seriously injured, would be quite meaningless, and the same applies to building casualties. The important question is how many houses have been totally damaged and how many require major structural alterations. That is, how many have been rendered uninhabitable? It cannot be anything approaching one in five. To know this is important, because, in order to calculate immediate post-war housing needs, this total must be added to the number of houses condemned before the war, but on which work was postponed, as well as those scheduled as unfit for human habitation in the light of higher post-war standards. Mr Brown hopes that, as soon as the urgent programme of construction for the American Forces is completed, he may be able to secure labour for necessary repair work, as well as for keeping a reserve intact in case air raids are resumed. But Mr Bevin has announced that the 28,000 building and civil engineering workers whose call-up was deferred owing to the demands of the American Forces, are now to be called up, and that "further and continuing calls on the industry may be expected in due course"; and in the offensive fourth year, with manpower at full stretch, in the field as well as in the factory, the call to arms can hardly be refused. More than ever, therefore, the problem is one of making the most of the maximum labour force left by allocating available personnel and materials in the most economical way. The first charge is plainly the need to house war workers. This problem of accommodation will be eased by Mr Lyttelton's new policy of taking work to the workers, which will reduce the need for new construction. But only after this immediate task has been done will there be time and resources to make a start with the urgent work of securing that demobilisation, and the reassembly of war-split families, do not straightway reveal acute local shortages of dwellings.

Terror in Norway

The Germans are tightening their hold over Norway and have introduced new and drastic measures against the opposition. The head of the German police has called for the "merciless crushing of every plague and sore, whether big or small, wherever found," and for the extermination of the Joessings (the Norwegian patriots), who are regarded "not only as the enemies of Nasjonal Samling, but of Germany." This threat is apparently being put into effect. Terboven's latest decree introduces the death penalty for such offences as listening to the foreign radio; entering or leaving Norway without a permit; helping prisoners of war and enemy agents; distributing or receiving anti-German and anti-Quisling literature; and for perpetrating acts of violence against quislings. The Swedish press reports that mass arrests are being made and that whole-sale deportations of "Joessings" to Germany or to the Arctic are proceeding. These measures have been made necessary by the increasing vigour of the Norwegian resistance. Despite the fact that radio sets were officially confiscated a year ago, people still continue to listen-in to the BBC; illegal newspapers and pamphlets are widely circulated; and Russian prisoners are being helped to escape and sheltered by peasants. Strikes and acts of sabotage are reported to be increasing, and in the far north guerilla activity is being organised. At the same time a systematic campaign against the Jews is being developed; the Finance Minister, Prytz, has announced that all Jewish property is to be confiscated, and whole families are being interned or deported. There is also evidence of considerable unrest among the quisling party itself. Members are accusing one another of being Freemasons or having Jewish connections, and the unpopularity of the compulsory recruitment for the Norwegian Volunteer Legion has resulted in so many members resigning from the party that an order has had to be issued banning further resignations.

AMERICAN SURVEY

New York at War (From Our New York Correspondent)

October 31st

THE casual visitor to New York City is almost certain to come away with the conviction that that metropolis is wallowing in a vast wave of war prosperity. The crowds of sightseers on the streets are reminiscent of the days of the World's Fair in 1938-39, except that to-day most of them are in Service uniforms. Restaurants and night clubs are doing a land-office business. Seats are at a premium for the better-known Broadway shows, despite the fact that there are 60 per cent more of them than there were at this time last year; and retail merchants, with no serious dent yet made in their business, are confidently looking forward to the best holiday season in their history.

The visitor would be mistaken. What might seem to him to be a reflection of glowing economic health could be better likened, perhaps, to the flush of a hectic disease. For if the war has been a boon to New York, the sightseer's mecca, and to New York, the centre of the amusement world, to New York, the manufacturing city, it has held out thus far only the promise of creeping industrial paralysis.

This is not to say that New York to-day is in a state of depression as measured by the standards, say, of the early 1930's or even by those of the "recession" of 1938. But, compared with what is happening in other industrial centres of the nation, the situation is anomalous and the outlook disturbing—so disturbing that Commissioner of Manpower McNutt recently referred to the city as the country's "number one black spot." At a time when the nation's shortage of labour is so acute that the authorities are predicting that three out of every four housewives will eventually have to be mobilised for war work, New York has on its hands a great pool of surplus labour for which it can find nothing to do. On July 17th, there were 368,000 registered unemployed in the city. By September 11th, this figure had been reduced to 288,000; but this was mainly the result of temporary seasonal re-employment in garment making. Unemployment in New York, it is true, was about 16 per cent lower in September than it was before the defence effort began in 1940, but unemployment in the country as a whole had declined in the same period by 71 per cent.

Worse to Come

If this were the entire story it might not be particularly disquieting. The disturbing aspect is that the situation threatens to become worse instead of better, as the production of civilian goods and retail sales are curtailed by priority regulations and other wartime restrictions. It must get worse, unless jobs can be found in war industry for those who face disemployment in the months ahead.

There is a rather widespread superstition that New York City has been left out in the distribution of war contracts because of its military vulnerability. This is not true. Right across the Hudson River the Newark-Jersey City area is working on more war orders than any area of corresponding size in the nation except Detroit and Los Angeles. The truth is that New York is losing out, so far as getting its proportionate share of war contracts is concerned, not because of its military vulnerability, but because of its economic vulnerability.

New York is the nation's—and the world's—largest manufacturing city. It turns out \$4,000 millions of products a year in peacetime. It gives employment to more workers than the great industrial centres of Detroit and Pittsburgh combined. Its chief misfortune in the present situation is that it happens to manufacture the wrong things. Its speciality is consumption goods. The garment industry is to New York what the automobile industry is to Detroit. Three light industries—clothing, printing and food—employ 355,000 of the approximately 670,000 workers

normally engaged in manufacturing. The nature of these industries constitutes a double-edged weakness. In the first place, it means that the city stands to suffer disproportionately as consumption is progressively restricted; in the second place, it means that its manufacturing establishments and its manufacturing equipment are ill adapted to conversion to war purposes. Of the 27,000 factories in the city, only about 2,000, representing about 150,000 employees, are among the fifteen major industries listed by the War Production Board as defence industries.

In a memorandum submitted on October 13th to the special Senate committee appointed to study the problems of American small business, George A. Sloan, Commissioner of the New York City Department of Commerce, presented a table which summed up graphically the contrast between what has happened in New York, with its large number of small plants, and Detroit, the typical city of large plants.

	NYC Industrial Area	Detroit Industrial Area	USA
No. of factories (1939)	27,174	2,772	184,230
No. of factory wage earners (1939)	534,008	311,332	7,886,567
Population (1940)	7,454,995	1,623,452	131,669,275
Army and Navy Supply contracts awarded June, 1940 — July, 1942, in millions of dollars (excluding new plant construction)	\$1,481	\$4,477	\$63,197
Value of manufactures in millions (1939)	\$4,295	\$2,719	\$56,829
Contract awards per head	\$198	\$2,750	\$480

New York City has been called upon to produce an insignificant share of the \$63 billions of war goods for which contracts have been awarded. Mr Sloan says in his memorandum:—

The basic reason for this situation is the difficulty under present methods of doing business with many thousands of small plants Ninety-seven per cent of our factories employ 100 people or less. Sixty-five per cent of our factory workers are in factories employing 100 or less, while in Detroit only 11 per cent in factories of this size. More striking is the fact that only 4 per cent of our half million factory workers normally are employed in factories employing 1,000 or more, while in Detroit 64 per cent of the workers are in 60 plants employing 1,000 or more.

New York City is the small plants city of the country. We have over 250,000 workers in 25,000 factories employing 50 people or less—more factories and workers of this size than the cities of Chicago, Los Angeles, Boston, Philadelphia and Detroit combined.

But, if the size of New York's manufacturing establishments constitutes the main difficulty in adjusting the city's economy to the defence effort, there are other complications.

1. The fact that an industrial centre includes a large number of small plants is not of itself a fatal drawback, if there are large plants in the same area which can feed sub-contracts out to these plants. Cleveland and Philadelphia have innumerable small manufacturing units, but these have in many cases received work from the big primary contractors in the neighbourhood. There are few prime contractors of that type in New York area; and to the extent that they exist, they have not meshed well to date with the small units. The Brooklyn Navy Yard, for example, has found that the metal working shops of New York, most of them accustomed to turning out light household equipment, cannot meet the tolerances required for the precision parts used by the Navy.

2. There is a substantial wartime demand for the products of New York's most important industry, garment making; but, in spite of this fact, one out of every three workers in the industry is out of a job at the present time.

THE REFORM OF ACCOUNTS

The recent series of articles in *The Economist* on the Reform of Company Accounts has aroused considerable interest; and for the convenience of readers these articles have been reprinted in pamphlet form, price 6d. The number of copies is necessarily limited; and readers are asked to apply to *The Economist Newspaper, Limited, Brettenham House, 15, Lancaster Place, London, W.C.2.* (Telephone No. Temple Bar 3316.)

The trouble here is one that antedates the war, and arises from the fact that New York garment workers are at a disadvantage as against those of other sections of the country. Nearly all of the 300,000 garment workers in New York City are members of the International Ladies Garment Workers or the Amalgamated Clothing Workers. These unions have been so successful in obtaining high wages that they have literally priced New York manufacturers out of competition with manufacturers in lower-cost sections of the country, particularly the south. The average garment worker in New York makes two or three times the \$16 a week guaranteed by the Wages and Hours law. It is figured that a pair of Army trousers which can be manufactured in the south for 67 cents costs between 85 cents and 90 cents when produced in New York City. It was charged recently by union leaders that New York, with 40 per cent of the nation's capacity, had filled less than 1 per cent of the orders placed for Army trousers up to that time. Most of the business, it was said, had gone to "mushroom" shops in the south.

3. Finally, there is the problem of unemployment outside the manufacturing industries. Despite the fact that New York is the nation's number one manufacturing city, factory workers account for only about 30 per cent of the employed. Here is how most New Yorkers make their living, according to a recent study by the Department of Commerce: Manufacturing, 670,000; wholesale and retail trade, 600,000; finance, insurance and real estate, 300,000; the service industries (hotels, beauty parlours, etc.), 280,000; and transportation, communications and other utilities, 200,000.

A Major Casualty

Needless to say, the fact that so much of the city's employment is in the field of distribution and services represents another example of its vulnerability to wartime economic readjustments. New Yorkers have already witnessed one major casualty in the distributing field, namely "Automobile Row" in the heart of midtown Manhattan. To-day the plate-glassed showrooms around Columbus Square are filled with second-hand cars, and most of the 4,000 salesmen have lost their jobs. This story can be expected to be repeated in varying degrees in other lines as consumer restrictions spread. Under-Secretary of Commerce Wayne C. Taylor, testifying on September 29th before the Senate Small Business Committee, predicted that upwards of 300,000 retail stores would have to close by the end of next year in the United States. There is certainly food for reflection in this statement for New York, with its 115,000 retail stores, employing nearly 450,000 persons.

Government officials have been co-operating with New York City officials in an effort to relieve unemployment. In recognition of the particularly favourable housing situation in New York, for example, several Government agencies have been moved bodily out of Washington to this city. This has been of at least some minor assistance to real estate and to the city's merchants and service trades. A Government aluminium plant has been awarded to the Brooklyn area. Plans are under consideration to allocate to the city contracts for goods normally produced here, even though this may involve paying higher prices than would have to be paid elsewhere. The unions have agreed to go part way in solving this particular problem by making wage concessions.

But when all is said and done, New York's central problem remains the problem represented by the small size of the city's industrial units, and this, as Mayor La Guardia recently said, means that the city's chief hope probably rests with the Smaller War Plants Corporation. This is the unit created under the War Production Board on June 11th last for mobilising the nation's small plant capacity. The SWPC has four main purposes: (1) To make loans for the conversion of small concerns unable to obtain funds elsewhere; (2) to provide the engineering skill to facilitate plant conversion and pooling; (3) to take prime contracts from Government procurement agencies and subcontract them, itself, to small concerns in pools; and (4) to certify to Government procurement agencies that selected small concerns are competent to handle war orders.

If the SWPC works out as its authors hope it will, it can perform two useful functions. It can help measurably in speeding up the war effort; and it can at the same time save many small concerns from going to seed because of inability to get into the war production picture. If the SWPC spells hope to New York, New York in turn poses the SWPC with an outstanding challenge and with a serious proving ground.

Taxing Capital Gains

[FROM OUR NEW YORK CORRESPONDENT]

October 5th

WHEN the States, on February 25, 1913, ratified the proposal of Congress authorising the federal taxation of income, they added a new amendment, the Sixteenth, to the American Constitution, and they opened up vast new sources of revenue to the Government. One of the incidental effects of that action was the creation of two problems which were to plague the nation's lawmakers for a generation to come.

One of these problems is that involving the taxation by the Federal Government of the income derived from state and municipal securities; the other concerns the taxation of capital gains, the American equivalent of what are referred to in Britain as casual profits. Neither problem has yet been satisfactorily solved. And they have not been solved because, in both instances, practical fiscal policies have run head-on into conflicting political considerations or considerations of equity and social justice.

It is almost universally agreed that, from a purely fiscal viewpoint, the exemption from taxation of billions of dollars in state and municipal securities is totally incompatible with the principle of a graduated income tax. Yet, after thirty years, this basic contradiction still lies firmly embedded in the American tax system, for the simple reason that no Congress has had the political temerity to seek an end of the anomaly through a Constitutional referendum. Similarly, it has been the considered judgment of a majority of Governments that capital gains do not constitute a legitimate—or if a legitimate, then not a practical—field for the application of the income-tax. But in the United States, where capital gains, for reasons peculiar to the financial and political climate of the country, have come to be identified more closely than elsewhere, perhaps, with stock market profits, there has been a pronounced reluctance to base national policy with respect to the treatment of such income on the single test of fiscal expediency.

Against Discrimination

Although this attitude undoubtedly finds its most extreme expression among the nation's legislators in Washington (where an anti-Wall Street bias is still all too frequently regarded as a political asset), it is by no means confined to those who may be described as politically-minded in the narrow sense of that term. It is shared quite generally, as a matter of fact, by most tax economists who are "politically-minded" in a broad social sense. Thus, Professor Robert Murray Haig, in challenging the thesis that capital gains should be ignored for income-tax purposes, asks:

What is to be said for the fairness of an income-tax that levies its toll on the pay envelope of the wage-earner and the monthly check of the salaried man . . . and at the same time exempts the winnings of the successful stockbroker?

Similarly, the special committee of the Twentieth Century Fund, which conducted an inquiry into the capital gains tax in 1937—a committee whose membership could by no stretch of the imagination be described as either radical or unorthodox—observed that:

A tax system does not achieve justice when individuals who increase their wealth by labour or services are subject to an income-tax, while other individuals, who increase their wealth by wise investment, are subject to lower income-taxes or escape taxation entirely.

Partly because this was the prevailing legislative attitude toward capital gains taxation at the time, and partly because income-tax rates were so low that the whole issue was more or less academic, the 1913 Revenue Act taxed capital gains at the same rate and on the same basis as other income, and provided full deductibility for capital losses. That practice would probably have continued down to the present time without arousing serious controversy had tax rates remained at their pre-world war level. But what had proved a workable arrangement under nominal tax rates was to develop serious weaknesses under higher rates. The first breakaway from the original formula came in the war years, 1916-1918, when the normal tax rate was rising from 1 per cent to 12 per cent and the maximum surtax rate from 6 per cent to 65 per cent. The 1916 and 1917 Acts introduced the principle of permitting deductions for capital losses to the extent of any corresponding capital gains, but the Revenue Act of 1918 returned to the earlier practice of allowing deduction of capital losses in full against income of any kind.

When the time came for the writing of the 1921 Revenue

Act, the country was in a state of acute depression. Acting on the contention of Secretary Mellon in his annual report of that year, that high tax rates were retarding capital transactions, Congress proceeded to introduce two innovations in the treatment of such profits which, in one form or another, have persisted to this day. It divided assets into (a) those held for two years or less, and (b) those held for longer periods, terming the latter "capital assets," and giving holders the option of paying a flat rate of 12½ per cent on profits realised from their sale. There was no change in the treatment of assets held for two years or less, the implication being that such assets belonged in the speculative, rather than the investment category. The combination of a comparatively low flat rate on capital gains and full deductibility of capital losses from all forms of income produced a situation in which this tax was causing net losses to the Treasury—so in 1924 credits for long-term capital losses were limited to amounts matching the tax concessions on capital gains.

The fact that no similar change was made at the time in the treatment of short-term losses paved the way for the next revision, one in which reform, rather than relief, was the motive. A sub-committee of the Senate Banking Committee, which was investigating stock market practices in the spring of 1933, brought out the fact that many prominent financial leaders, by deducting capital losses, had been able to reduce their tax payments to the vanishing point in the early depression years. None of the Morgan partners, it was revealed, for example, had paid any income-tax in 1931 or 1932, while Otto Kahn, head of Kuhn, Loeb and Co., admitted that he had paid none during 1930, 1931 or 1932. No one suggested that there had been a breach by any of these persons of the income-tax law and it was pointed out in their defence that the Morgan partners as a group had paid huge income taxes in the more prosperous years. The feeling was, however—reasonable or unreasonable though it may have been—that there was something fundamentally wrong with a tax law which permitted persons who presumably were enjoying substantial current cash incomes to avoid contributing to the support of the Government, even for a single year. This criticism led to a modification of the capital gains and losses provision of the law in 1934, under which capital gains were taxable in full, and losses were deductible as offset by capital gains, except that long-term net losses up to \$2,000 could be deducted from ordinary income.

The earlier trend toward liberalisation was resumed in the Act of 1938. This Act continued to treat short term capital gains (gains taken within 18 months) as regular income, and to make short term losses deductible only to the extent of short-term gains. But it did make a concession to the speculative element by providing that such net losses might, to a limited extent, be carried forward for a year, and used as an offset to possible short-term gains in that year. A tax ceiling of 20 per cent was placed on net gains taken on assets held between 18 and 24 months, and of 15 per cent on those held over two years. Long-term net losses were made deductible from any income, with the tax benefit limited, however, to 20 and 15 per cent respectively.

The rather sweeping liberalisations contained in the 1938 Act aroused criticism in some quarters, and seem to have been one of the reasons why the President permitted the measure to become law without his signature. Nevertheless, with the capital gains question again being opened up this year, the evidence to date is that the process of modification is continuing. The House measure, it is true, calls for the substitution of a flat tax of 25 per cent on long-term gains for the two ceilings of 20 and 15 per cent contained in the 1938 Act, in recognition of the fact that individual income-tax rates have been stepped up to 88 per cent. Otherwise, however, the Bill appears to be more liberal than most of its predecessors. Short-term gains would still be taxed at the normal and surtax rates applying to ordinary income, but the line of distinction between short and long gains would be lowered to 15 months, and losses, whether short or long-term, would be deductible from either long or short-term gains. In addition, a net capital loss up to a maximum of \$1,000, would be deductible from ordinary income. Finally, a net short or long-term loss might be carried forward for five years, and deducted from similar gains in any of those years and up to \$1,000 from other income.

Cui Bono?

A very substantial and important body of opinion still holds that the taxation of capital gains is a futile business. This group, of which Mr Elisha M. Friedman, who has made a study of the subject for the New York Stock Ex-

change, is perhaps the most articulate spokesman, takes the position that such taxation should be abandoned after the war, while urging, in the interim, elimination of the distinction between short-term gains and long-term gains, and the taxation of all capital gains at a flat rate as low as, or lower than, the 12½ per cent rate contained in the Revenue Act of 1921. The tax philosophy of this school of thought has been embodied in the so-called Boland Bill, introduced by the late Representative Boland of Pennsylvania on January 12th last. This Bill calls for a flat capital gains tax of 10 per cent.

The chief emphasis of the opponents of the tax to-day is on its weakness as a revenue-producer, a criticism which is, of course, especially effective when revenue is as badly needed as at present. Mr Emil Schram, president of the New York Stock Exchange, summed up this argument in his testimony before the Ways and Means Committee:

It seems to me that there are only two reasons why people invest their capital. Either they invest to obtain income by way of rents, dividends or interest, or they invest with the hope that they may sell the investment at a profit. Unless taxpayers are willing to buy and sell capital assets there is no possibility of deriving revenue from a capital gains tax.

The statistical evidence, as Mr Arundel Cotter has shown in a studious analysis in *The Wall Street Journal*, indicates clearly that high taxes on capital gains

have a direct and adverse effect upon tax collections, and that the yield from a relative low tax, whether the asset is held for a long or a short time, would bring the Treasury much more than is now being collected.

American Notes

News from the Pacific

Fortune has favoured the Administration by providing, in the naval victory in the Solomons, an overwhelming answer to the rising tide of criticisms of Pacific operations and information policy—which reached a climax last week in a series of charges made by Congressman Maas, of Minnesota. President Roosevelt has not been content to let events speak for themselves, although the smashing defeat of the Japanese expeditionary force provided a convincing rebuttal. In a broadcast to the annual forum held by the *New York Herald Tribune* Mr Roosevelt made a reasoned and persuasive defence of the information policy which has been the target of many attacks. Arguing that it was impossible for the Government always to give spot news to the people in wartime, Mr Roosevelt pointed out that those who knew the most about what was going on were free to say the least. After pointed reference to the "clamour of politics and criticism from those who, as we know in our hearts, are actuated by political motives," the President drove home his case by citing a recent instance in which he reproached himself for having made public the loss of an aircraft carrier at the end of October:

When we got news of the sinking of this particular ship a great issue was being raised in Congress and in the public vehicles of information as to the suppression of news from the fighting fronts. . . . I yielded to the clamour. I did so partly in realisation of the certainty that if the news of the sinking were given out two or three weeks later, it would be publicly charged that the news had been suppressed until after the election. Shortly thereafter, protests came from the admirals in command. . . . This confession of mine illustrates to the people of this country the fact that in time of war the conduct of that war with the aim of victory comes first. They know not one of their inalienable rights is taken away through failure to disclose for reasonable lengths of time the facts that Hitler and Mussolini and Tojo would give their eye-teeth to learn.

It is a shocking admission—and no doubt was so intended—that the President should be forced to reveal information of military value because of well-grounded suspicion that his refusal to do so would be used by political enemies. News from the Pacific has not been handled in a manner beyond reproach in every case. Mr Elmer Davis, head of the Office of War Information, has admitted that it was

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an error to hold up the news of the cruiser losses in August; but he has generously shouldered equal responsibility with the Navy for that decision. It appears, however, that the American people do not even yet fully appreciate the importance of secrecy as a military weapon; or, in the case of the Pacific theatre, the extreme difficulty of obtaining accurate information, even by the Services themselves. Beyond these human misapprehensions, there is the undoubted fact that political capital is being made out of the formidable difficulties of holding a balance between security and the speedy publication of news, good or bad. Congressman Maas is a well-known advocate of the "Pacific first" school, and his violent accusations of military incompetence and misleading communiqués must be read in this light.

Solid South

A bitter fight is being waged by Southern Congressmen against the Bill to abolish the poll tax in eight Southern states. The filibuster by Senator Bilbo and the difficulty of obtaining a quorum, which made it necessary to order the technical arrest of absent members, are only two of the weapons being employed to defeat a measure which threatens the disintegration of the "solid south." The poll tax is one of a number of measures which are used to keep the electorate small and manageable in most of the Southern states, and it is in large part responsible for perpetuating the grip of political machines like Harry Byrd's "courthouse crowd" in Virginia. Although Southern Congressmen are Democrats in name, and have loyally supported the President's foreign policy, they represent the extreme right wing of the Democratic party. On domestic issues, their stand is hardly distinguishable from that of the most reactionary Republican. The poll tax puts the privilege of voting outside the grasp of both negro and poor white; but its main effect is felt by the poor white because of the existence of so many methods to prevent negroes from voting. Apart from the threat of violence, never completely absent, registration is made impossibly difficult for negroes, and the literacy requirements are manipulated to prevent even highly educated negroes from going to the polls. In one extreme case, a Harvard Ph.D. was barred from voting on the ground of illiteracy. The soldier's vote Bill has already suspended the poll tax for the duration, as far as members of the Forces are concerned, although for other reasons the soldier's vote failed to make itself felt at the recent elections. The wider Bill was proposed originally by Senator Pepper, a New Deal Democrat. There are some reports that it is being supported by Republicans, who hope to profit from the break-up of conservative democratic control in the South. But the main result of liberalising the franchise undoubtedly would be to increase support for the President and progressive Democrats at the expense of reactionaries like Cotton Ed Smith. But the passage of the Bill is by no means certain. The fury it has aroused is illustrated by one Alabama Congressman, who called it "the worst thing since Reconstruction." It is proof of the gulf within the Democratic party that one of the members who could not be found last week, Senator Hill of Alabama, the majority whip of the Senate, has declared that he intends to oppose the measure with every means in his power.

Congress Mobilises

A Bill to establish an Office of War Mobilisation is reported to have been introduced, or to be about to be introduced, in both houses of Congress. This office would take over complete control of war production and the allocation of manpower. Particular emphasis is placed upon the substitution of civilian, as opposed to military, control in every respect, and upon the replacement of "dollar-a-year" executives lent from industry by men employed and paid in the first instance by the Government. Unfortunately, the only clue to the Bill's authorship is that it is introduced by a "group of Democratic senators." It appears however, to embody the criticisms and suggestions about the control of war production that have been developed by outstanding Congressional investigations which have taken place in the last six months. The proposal for an Office of War Mobilisation was made last month in the report of a House Committee. Senator Truman's group has consistently opposed the employment of dollar-a-year men, pointing out the risk that their judgment might be affected by the interests of the industry from which they are drawn; and an able report last August took Mr Nelson to task for giving an undue share of his authority over manpower and produc-

tion to the Services. It would appear that the Bill represents the views of firm, if critical, friends of the Administration, although some reports suggest that it is the first evidence of the determination of Congress to assert its authority over aspects of the war which have fallen increasingly under the control of the Executive. Mr Roosevelt is said to be considering some reform of his administration, and there is little doubt that some substantial improvements could be effected by consolidating authority and responsibility for policy, somewhat along the lines suggested by the Baruch Committee in connection with rubber. One step for which there is growing demand is the appointment of a food administrator. The shortage of dairy products, particularly butter, is the newest sign that the question of food supplies demands more than the part-time attention of the numerous agencies now concerned. It is doubtful whether the drastic measure of concentrating all responsibility over production and related problems in one man will be adopted; but some reforms of the administrative structure will be demanded by Congress if the Administration does not act before January.

Tap Issues for the Public

As the scale of United States expenditure increases and, with it, the lag between the yield of higher taxes and the outlay of the Government, the need to mop up excess purchasing power by means of Government loans, issued not to the banks but to the public, becomes more urgent. In October, no less than \$6,800 millions of securities were sold by the US Government. But too large a part of this had to be shouldered by the banks, and thus did little to cut into an already redundant volume of purchasing power in the hands of the public. The recent cuts in Federal Reserve rates on member bank advances secured by Government paper were an indication of the undue reliance recently placed on the banks in the Government financing programme. This is to be changed. Mr Morgenthau who, when recently in this country, was full of admiration for the work done by the National Savings Committee, has announced a new borrowing policy which is to come into force as from the end of this month. It will involve greater reliance on tap issues which, as in this country, will be made in a number of concurrent loans, each devised to appeal to a particular class of investor. The campaign to induce the public to buy more Government bonds is to be launched with the full backing of the New York Stock Exchange, the various banking associations and the Office of War Information. In addition, Mr Morgenthau has enlisted the help of the sales and advertising executives of private industry and business. One of the most popular and successful achievements of salesmanship in the War Savings Bonds campaign was to enlist the help of film stars and other lovelies who clad themselves in bonds which were torn off them by eager purchasers. Now that big business executives are to be at the helm of the campaign devices may, perhaps, be expected which will put in the shade these earlier stimuli to sound Government finance.

Shorter Notes

Owing to an unfortunate and extraordinary error in a note last week entitled "The Warp and the Woof" (on p. 604), Mr Wallace was made to refer instead to the "wasp and the wolf" of democracy. Apologies are due to Mr Wallace and to the countries involved, and thanks to the many readers who drew attention to the gaffe, both in rhyme and in prose.

Mr Churchill's phrase, "We mean to hold our own," concerning the British Empire, has provoked adverse comment in the United States. The two most prominent critics have been Mr Willkie and Senator Pepper. Out of its context, the phrase is liable to misinterpretation. Mr Willkie, whose lustre has been a little dimmed by the events of the past fortnight, is not always scrupulous about contexts as he continues to press for more effective co-ordination of strategy, particularly with Russia and China, and for the reform of the colonial system.

Shipbuilding records in the United States are made only to be broken. Mr Kaiser's latest is the assembly and launching of a naval auxiliary craft two days and 23 hours and 40 minutes after the keel had been laid. It is hard to believe that assembly time can be very much further reduced.

THE WORLD OVERSEAS

French North Africa—I

THE French African Empire came into being after the defeat of 1870. Bismarck supported French colonial expansion for two reasons. He hoped, first, to divert French energies and ambitions from *revanche* to overseas conquests. He was, secondly, anxious to fan British-French colonial rivalry in order to prevent the coalition of the two Western Powers. Hitler's policy towards the French Empire since 1940 has been a caricature of Bismarck's. Until recently, the fear of *revanche* was absent. France lay prostrate and disarmed; and a German victory would make any French dreams about redressing the position utterly unreal for an epoch. Vichy's nominal sovereignty over the African possessions was, therefore, conceived as an interim arrangement only. The great post-war readjustment was envisaged in terms of the "geo-political Eurafican" concept. The material wealth of Africa—so the theory ran—"belongs" to no particular state but to Europe as a whole, while Europe itself comes in turn under German leadership. The one real point of resemblance between Hitler's and Bismarck's policies has been the endeavour to use the colonial problem as a wedge to be driven between France and its Allies. So far as Vichy is concerned, the endeavour has not been altogether wasted. But Bismarck's policy failed to prevent the *Entente Cordiale*; and the present Hitlerian caricature is doomed to an incomparably quicker failure. The German gambit has been effectively answered by the explicit pledge of the United Nations to restore North Africa to France, a pledge the significance of which is more strongly emphasised by the fact that it has come from the United States, the only power which has hitherto refused to recognise *de jure* the French Protectorate over Morocco. This is why the *affaire Darlan* (which is discussed on page 621) is so important. The restoration of North Africa, not to Vichy, but to France, is part of the wider design to restore France itself to its former rôle in Europe, and to restore Europe to its place in a world of free and friendly peoples.

New Problems

Meanwhile, however, French North Africa has been cut off from Metropolitan France. For the duration of the war, and until France itself is freed from German occupation, the region has now come within the sphere of influence of the United Nations; and a whole series of problems arises from this change. There is, first, the need of economic adjustment. The economy of French North Africa has to a very high degree been dependent on the trade with the mother country. Before the war, Algeria shipped 75 per cent of its imports from France; and 84 per cent of its exports went there. The corresponding figures for Tunisia were 62 per cent and 56 per cent; and for Morocco 34.5 and 45 per cent. Algeria was thus linked to France by the strongest material ties. Morocco with its "open door" trade, facing the Atlantic as well as the Mediterranean, was more loosely connected.

The war has changed the whole picture. Since 1940, imports from France into the African possessions have dwindled to insignificance; and one way traffic from Africa to France has assumed a record size. In peace time, the main difficulty in French North African trade was the competitive character of the North African economy. The Algerian and Moroccan farmers with their grain and vegetables and fruits competed with the French peasants, a fact which exercised a restrictive influence upon North African agriculture. After the Armistice, the dependence of the unoccupied zone on the import of North African foodstuffs caused Vichy to adopt a more paternal attitude towards North African agriculture. But the attempts to expand output were frustrated by the acute shortage of fuel for tractors and so on throughout the whole territory.

In all the three North African possessions, there are two distinct types of agriculture: the primitive farming of the natives; and the large scale and highly mechanised farms of European settlers. The latter have sometimes accounted for more than half of the crops. Since the Armistice, substitutes and gas-generators have come into use; but the crisis has all the same remained acute and the shortage of agricultural labour due to the absence of prisoners of war has made the position even more difficult. Allied economic policy can, with comparatively modest means, bring about a genuine revival of North African farming. The quantities of petrol required are relatively small. Morocco, for instance, which last year accounted for 52 per cent of North African exports to France, used to consume not more than 35-40 thousand tons of petrol a year. Native farming, too, has been in decline during the last two years. The peasant lacked any incentive to produce more than was needed to cover his own consumption. In return for his agricultural produce, he could obtain none of the manufactured goods which used to be imported from France.

The shortage of textiles has been felt particularly acutely; and recent correspondence in Vichy newspapers described pathetic pictures of the North African hunger for textiles. The lack of clothing had its political repercussions, since it made it difficult for the native Moslems to observe some of their traditional customs; and, as so often happens in the East, the obstacles to the observance of religious rites threatened to lead to disturbances. The Moslems resented being unable to bury their dead in shrouds; and the shortage of veils kept Moslem women indoors. Vichy prohibited the manufacture of carpets, in order to provide for the clothing of the natives. The transfer of textile factories from Lyons to North Africa also had, as one of its objectives, the easing of this difficulty. In this respect, too, relatively little is needed to bring economic relief to the population and to provide the incentive for a corresponding effort in farming.

Tea, coffee and sugar have been the other shortages, while vegetables, fruit, wines, dairy products, meat and fish have been plentiful—great surpluses used to go to unoccupied France. Recently, canning of meat, fish and vegetables has developed on a large scale, although it has been hampered by the shortage of tin. The capacity of fish canneries in Morocco alone has been made equal to that of Portugal (1.5 million boxes of tins produced by 52 plants). Fifty-one Moroccan plants have been engaged in production of tinned vegetables. North Africa can thus serve not only as a convenient base for food supplies to Allied armies in Africa, but also as the producer of export surpluses which Lord Woolton may welcome.

Mineral Wealth

The two main minerals of North Africa are iron ore and phosphates. The pre-war output of iron ore amounted to some 3.5-4 million tons (2.2 million tons metal content), an output equal to, if not greater than, the whole of Spanish metropolitan and Moroccan extraction. More than three-quarters of all North African iron ore comes from Algeria and about a quarter from Tunisia. It also seems that a considerable expansion of output may be easy to achieve. It has often been said that vested interests in Metropolitan France stood in the way of a full-scale exploitation of Algerian ore resources.

The position with regard to rock phosphates is somewhat more complicated. Out of the total of about 4 million tons of annual production, more than 2 millions used to be produced in Tunisia and 1.5 million in French Morocco. During the armistice years, exports of phosphates to France and to Germany absorbed about one-third of the output. Italy used to buy up a considerable portion. The *Bureau des Recherches et des Participations Minières*

has nevertheless been compelled to limit production; the greater part of the mines have been idle and only maintenance services have been kept up. It is difficult to say what proportion of the North African rock phosphates can be absorbed by Allied countries in the near future, though phosphates will be needed in some quantity both for explosives and fertilisers.

A well thought out and enlightened economic policy can use the resources of North Africa to strengthen Allied war potential. It can also promote the economic advancement of the region to an extent which was unimaginable during the years of depression and the subsequent period, in which the restrictive influences of competitive French agricultural and mining interests set narrow limits to the development of North African economy. The Allied occupation has brought an unexpectedly quick close to the wholly artificial and economically irrational experiment of pseudo-industrialisation undertaken by Vichy under the pressure of shortages and German looting. Apart from the transfer of some textile factories from France, it has boiled down to the encouragement of small-scale, primitive handicrafts which were called upon to fill the gaps left by the falling-off of French imports. But it was clear from the beginning that the small and obsolete handicrafts could have no future before them from the moment when the competition of European manufactured goods became active again. The industrialisation scheme led the economic departments of Vichy's North African administration to undertake wasteful experiments in search of oil and coal resources. The results, even according to official Vichy statements, were very disappointing—although this did not prevent the press from publishing wildly exaggerated claims about the creation of a North African fuel base.

Another experiment, started under the pressure of the cotton shortage, but in the longer run totally unjustified economically, was Vichy's scheme to create "a second Egypt" in the French possessions. The Niger valley was singled out for this purpose; and the whole scheme was linked with the plan to build a Trans-Sahara railway, which would carry the cotton crops across the desert—northwards. The failure of the railway scheme was described in *The Economist* of May 23, 1942. The slogan of "a second Egypt inside the French Empire" figured prominently in Vichy's propaganda. It was warmly supported by the German press, which emphasised its anti-British edge and presented the whole enterprise as the French *revanche* for Fashoda. North Africa has also been partly affected by the "second Egypt" plan; and a start was made, under the auspices of General Noguès, by the *Office des Béni Amir*, which was said to have put 45 thousand Moroccan nomadic families to the cultivation of cotton.

The Currency Question

The organisation of the economic life of French North Africa will demand close co-operation between the local French administration and the proper Allied authorities. Immediate policy will have to be ruled by the requirements of the United Nations' war effort. The most urgent task is probably the settlement of the currency problem for the duration of the war. The first step has been taken by fixing the rate of exchange between the new military pound and the franc at 1:300. Inflation of currency has developed in North Africa at a quicker pace than in France itself, as the local banks of issue have had to finance the increased and one-sided trade with France. In December 1941 the Bank of Algeria was authorised by Vichy to increase its note circulation from 3 to 10 milliard francs. The volume of currency in Morocco was in August 1942 five times bigger than it was before the war. In the light of this the new rate of exchange seems to be fair to the interests of the local population.

Party Politics in Eire

[FROM OUR DUBLIN CORRESPONDENT]

November 10th

ALL the signs of a coming General Election are beginning to appear in the political world. The election is due to take place before next autumn. It would be legally possible to postpone it in view of the emergency, and at one time it was thought that such a postponement would take place.

The Government has stated that it would not make any move to postpone the election without the unanimous agreement of all parties. In view of the gains by the Labour Party at the local elections, such agreement is no longer possible. It may be taken, therefore, that the election will be held, probably in the spring. The holding of an election in present circumstances gives rise to many difficulties. The paper shortage will prevent proper canvassing, and the reduced transport facilities will prevent many voters from going to the poll. Moreover, it is regrettable that party controversy should be awakened in times of such danger. The Government, however, takes the view that these evils are outweighed by the renewed vote of confidence which it hopes to obtain. Any suggestion that the Government does not command the support of the majority in the country weakens its authority to deal with the grave internal and external problems with which it is beset. It therefore seeks a new mandate from the people.

The Government party faces the election with many advantages, and many disadvantages. Unquestionably, its greatest advantage is the personality of Mr de Valera, whose handling of the war situation has increased his reputation among all parties. Complete confidence is felt in Mr de Valera's determination to preserve the neutrality of the country, a matter upon which all parties are agreed. He has, furthermore, shown a determination in dealing with internal disorder which many of his critics would not have granted him some years ago. The conservative financial policy which the Government has pursued, and its attitude on the central banking question, have allayed the fear held by some that Mr de Valera has dangerous left-wing tendencies in economic and social matters. It would not be surprising if his party received support from certain conservative elements in the country who have hitherto voted against him.

Against all these advantages, the Government party suffers from countervailing disadvantages. Any party that has been in office for ten years is bound to experience the unpleasant sensation of the swing of the pendulum. Moreover, the last three years have been a period of exceptional difficulty. The public have suffered many deprivations and inconveniences for which the Government is, rightly or wrongly, blamed. While it cannot be denied that the supply question has been bungled in certain directions, it must be admitted that the difficulties have been largely outside the Government's control. The sudden reduction of imports has necessitated a move in the direction of self-sufficiency at a pace which has proved unwelcome even to a Government committed to a policy of autarky. It appears possible that the supply situation may improve in the future and that the evils of the transition may have been greater than those of the years to come. The main criticism of the Government comes from the Labour Party, who are dissatisfied with the wages stabilisation order. In view of the fact that both home-produced raw materials and imports have risen steeply in price, the stabilisation of wages was a courageous step if inflation was to be avoided. The stop order on wages has been tempered by a provision for raising the wages of the most lowly-paid workers and by granting bonus orders in special circumstances. Nevertheless, the measure is naturally unpopular with the trade unions, and will certainly cost the Government votes.

Votes for Labour?

It is doubtful if many of these lost votes will be given to the official opposition led by Mr Cosgrave. On external policy, this party is at one with the Government. The resignation of Mr Dillon from the party, arising out of his advocacy of going into the war, indicates the strength of its views on the maintenance of neutrality. Its programme for the election promises large interest-free loans to farmers, the derating of agricultural land, the electrification of rural areas and family allowances. Apart from the last item, this programme is calculated to appeal to the rural rather than the urban voter. The probability is that the votes lost by the Government will be given to the Labour Party rather than to the official opposition. The swing will be to the left rather than to the right.

The Labour Party occupies the same position as the present Government party did in 1932. Having had no experience of the responsibilities of office, it is prepared to make sweeping promises of social and economic betterment to the electorate. Its trump card with the working classes will be the unpopularity of the wages stabilisation order. The rising cost of living and the shortage of supplies have naturally caused a good deal of general discontent, and the Labour Party will no doubt succeed in landing some fish

from these troubled waters. It advocates an extensive programme of public works, which, however, must necessarily await the end of the war on account of the shortage of raw materials. This party has also adopted vague theories of monetary reform, based on breaking the link between the Irish currency and sterling and the financing of large-scale public works by Government borrowing. There can be little doubt that the Labour Party will gain some seats at the election.

As far as can be foreseen at the present time, the probability is that the opposition will lose some votes to the Government and the Government to Labour. It is also considered likely that many independents will be returned. It is quite possible that no single party will be sufficiently strong to form an administration. In this case, a coalition between the Government and Cosgrave parties might emerge. No other partnership seems possible in view of the bad relations between Labour and the other two parties. Many people who are critical of the wisdom of holding an election in these troublesome times ask the question whether, if a coalition is likely to emerge from the election, it should not be established immediately and the election postponed. Whatever there is to be said in favour of such a solution, it is not practical politics. Something more than the difficulties of the existing situation is necessary to bring to an end animosities as bitter as those that unfortunately prevail between the two parties which are heirs to the unhappy split over the treaty and the fraternal strife of the civil war.

The Canadian Army System

[FROM OUR OTTAWA CORRESPONDENT]

September 30th

THE resignation of Brigadier Harold J. Riley from the post of district officer commanding in Winnipeg has precipitated a controversy over the organisation of the Canadian Army, which promises to lead to reforms in the top level of military administration. The Riley resignation caused vigorous protests, not only in Winnipeg newspapers, but in much of the press of Canada, indicating that more was at stake than the local disappointment of a military administrator who commanded confidence in his own circles.

Brigadier Riley had a distinguished career as a soldier in the last war. He practised law in Winnipeg until he accepted the local command in 1940, shortly after the Hon. J. L. Ralston became Minister of National Defence. The reason for his resignation was given as poor health, but the superficiality of this explanation was evident when, shortly afterwards, Brigadier Riley accepted the post of administrator of military manpower within the new selective service system. Beyond this, the facts are not generally known. The *Winnipeg Free Press* commented:—

The official announcement contains nothing but the usual superficial statement of facts, and in view of the knowledge widely available here of the keenness of Brigadier Riley to do what he could to serve his country, the question is bound to be asked—it is indeed already being asked—whether his resignation is due to the difficulties which a man of his energy, initiative and independence is bound to encounter when attempting to work inside a military machine such as we have now developed in Canada, so largely staffed with men who are unable either by constitution or by training to deal swiftly with administrative matters. . . .

There is information available in every military district in Canada of the difficulties which have resulted from the determination of the men charged with major responsibilities to concentrate power in their own hands, to delegate as little as possible, and to effect wherever possible the advancement of those administrative officers in the army who are ready and willing to play the game according to the infinitely detailed regulations laid down at headquarters with the resulting entanglement of infinite red tape. Everyone is familiar with instances of prolonged delay in making decisions, the result of headquarters being overwhelmed in detail. Everyone is familiar with the widespread lack of initiative and the widespread lack of capacity in army administration.

The same newspaper immediately subjected the top administration of the Canadian Army to a searching analysis, with interesting results that have been noted widely in Canada. It found that the system now followed in Ottawa resembles very closely the British War Office, or, more correctly, the British Army Council system, prior to the reforms resulting from Lord Esher's report of 1904. In the present British sense, there is no Army Council in Ottawa. The Canadian Militia Act vests in the Defence

"Take a note, please,

Miss Nash



... concerning
Christmas Boxes
for the Staff"

Many business heads have already decided and made out their Christmas-box or bonus lists for employees. Why not follow their lead in your own firm and give National Savings Gift Tokens?

These gifts express perfectly your appreciation of loyal staff work under war-time difficulties. They are gifts for the future, too; gifts which grow in value from the day the Tokens are exchanged for Savings Certificates or used to make deposits in the Post Office or Trustee Savings Banks. Best of all, National Savings Gift Tokens are really patriotic presents, the only presents suitable for a time like this. Each one you give is a seasonable contribution to the Nation's war effort. You can obtain them from any Post Office or Trustee Savings Bank, or through your Savings Group in units of 15/- up to any amount.

NATIONAL
SAVINGS GIFT
TOKENS

★★★★ ISSUED BY THE NATIONAL SAVINGS COMMITTEE ★★★★★

Minister all the powers which in Britain are exercised by the Council. The Esher reforms in Britain involved the creation of an Army Council immediately below the Secretary of State for War.

In Canada, under the existing set-up, there has been no decentralisation of the kind practised in the British Army Council. All power is concentrated in the hands of the Chief of the General Staff; and the heads of other Army branches, the Adjutant-General, the Quartermaster-General and the Master General of Ordnance, occupy subservient positions. The point involved in the Riley case clearly illustrated that district commanders, too, possess no actual independence, such as would be a bar to over-concentration of authority and which would encourage initiative.

Public Interest

This discovery—for it has really been a discovery in view of public apathy towards all Army affairs before the war—has become the focal point of a fresh discussion on Army administration. It is clear from the public reaction that centralised authority in the persons of the Minister and the

Chief of the General Staff is generally regarded not only as faulty organisation, but as a cause of distrust of the ability of the professional soldier. In effect, in matters of policy, appointments and administration, the Minister, and through him the Cabinet, has the benefit of advice from only one man. In contrast, the British Army Council provides similar guidance from the collective wisdom of a Council of four military members and three civilians.

There has been no Esher report to rescue the Canadian Army from the chaos of the current system. As the *Free Press* pointed out, in Canada the Minister is his own Army Council, and the Chief of the General Staff is placed, in power and influence, in a rôle akin to that of a commander-in-chief. "The evils that afflicted the British War Office up to 1904," it commented, "are now apparent in Ottawa."

It added that Canadian experience had shown that the Chief of the General Staff represents the close-knit group of professional soldiers who are the Canadian equivalent of the old military caste which, once it is formed, can so easily dominate an army. From these fresh examinations into army organisation in Canada have come demands for reform and for remodelling the machinery at the top.

Russia at War

African Aftermath

THE news about the Allied victories in Egypt and French North Africa came to the Russian public almost on the morrow of the anniversary of the Revolution. In spite of the hardships of the second winter, which still lie ahead, there have recently been many signs of a restored and increased confidence in the country's own strength and ability to fight on. The successful defence of Stalingrad has dispelled the feeling of uncertainty which was perceptible during the summer retreat. The news of the Allied victories has acted as an additional tonic to the already climbing morale of the people.

The first reaction to the advance of the Eighth Army in Egypt was reserved. The main point in press comments was the undeniable fact that the concentration of the *Luftwaffe* on the Russian front created the lull in Egypt which enabled the RAF to obtain an overwhelming superiority over Rommel's forces. And, between the lines, there still lingered the tone of Stalin's anniversary speech, with its deprecating reference to the "four German and eleven Italian divisions" in Egypt. Even the very first news about the landings in French North Africa was received with some of the scepticism that had accumulated during the long and grim summer of "Anglo-Saxon inactivity." But, as the news from North Africa revealed the full scope of the operations, their speed, their thorough planning and their clockwork precision, the ice was broken at once; and reserve was dropped altogether.

For the first time in the course of this war, the *Wehrmacht* has been given a lesson in blitzkrieg by the Allies—this has been the keynote of Soviet press and radio comment. It is not difficult to imagine how this must have affected feeling throughout the country. The impatience for a Second Front has been markedly quietened. Allied action has provided the proof that the "inactivity of the Anglo-Saxon powers" was only outward appearance. The suspicion of sinister forces allegedly working for some sort of a negotiated peace behind the scenes, a suspicion which emerged in the articles and comments on Hess, has been countered by the most convincing deeds. And the fact that the strategic initiative has been wrested from the enemy has played a further part in the dispelling of "the myth of German invincibility." Russia was first to demonstrate the power of defence against the German blitzkrieg. What was still lacking was the proof that defensive strategy would be replaced by offensive action, the action for which Russian military commentators were calling almost daily. Now, the African campaign has been taken as a harbinger of the great turning of the tables.

The implications of the African campaign were explained by Stalin himself in terms which, naturally enough, were more cautious than the popular press comment. It is significant that Stalin gave his public acknowledgment of the campaign in the form of an interview with the same American correspondent through whom he addressed world opinion in his "prodding" statement some weeks ago. The "prodding campaign" has been called off in a most authoritative manner. Stalin's statement contained a rather significant sentence:

The campaign in Africa refutes once more the sceptics who affirm that the Anglo-American leaders are not capable of organising a serious war campaign.

The reference to "sceptics" does not appear for the first time; Stalin's anniversary speech, too, carried a similar reference. It is difficult to say who the sceptics are. So far, no distinct "sceptical" tendency or line has made its appearance either in the Russian press or on any other forum on which Russian opinion is voiced. The most likely explanation is that Stalin's remark had in mind an undefined and undefinable state of mood rather than any distinct tendency or any crystallised political attitude.

Stalin's reply to the question about "the Soviet offensive power in the east joining the Allies in the west" was unequivocal and guarded.

There need be no doubt, he said, that the Red Army will fulfil its task with honour, as it has been fulfilling it throughout the war.

Recent Russian propaganda has also tended to show considerably more reserve on this subject than before. During the winter of 1941-42, and until the summer retreat of 1942, the offensive slogans "Victory now" or "Victory in 1942" were in the forefront, although it was obvious that the conditions for a victorious offensive were then absent. The present tone of the press reflects a more sober view of the position; and, between the lines, the public is offered the suggestion that offensive activities in the east can be envisaged solely in conjunction with Allied action in the west.

Ploughing-up.—For some time, the press has carried detailed reports on the expansion of the sown area in the east. Some of these reports have been conflicting and make it very difficult to assess the actual results of the campaign. The Commissariat for Agriculture recently summed up the position, stating that the newly sown area covers 5 million acres. The achievement is a great one, but it falls short of some of the exaggerated claims which were made previously in the press.

Timber.—The People's Commissariat for Timber has published a report about timber production. Most of the timber trusts have fulfilled their plans well ahead of schedule. This has been particularly the case with the timber industries in the north. The *Karel Drev* (the Karelo-Finnish Timber Trust), for instance, completed the plan for 1942 by the end of October. The plywood industry, it is said, has doubled its output of high-quality plywood during this year. Some of the enterprises under the Commissariat for Timber have been engaged in defence production, turning out skis, aeroplane timber, aero-sledges, pontoons and so on.

Ladoga Transport.—The last weeks before the freezing of Lake Ladoga have been very intensively used to increase the supply of fuel, food and ammunition to Leningrad. Loading and unloading facilities have been improvised on the banks of the Ladoga to handle a number of ships simultaneously. The unloading of coal is carried out with the help of steam shovels, and the traffic is handled by women mainly, Leningrad's former typists and secretaries.

THE BUSINESS WORLD

Standstill Earnings

A FURTHER quarter's figures—for the period to September 30th—are now available in *The Economist's* new series of industrial profits computations. For readers who require details of the recent revision of this 30-year-old series, *The Economist* of May 23rd, June 6th, and September 19th this year will provide them. This article continues the discussion of gross profits earned by industry, before the claims of the tax collector have distorted the figures. In addition, further reforms have been introduced in the table showing the distribution of profits and returns on various classes of capital, and also in the tabulation of profits by industrial groups.

It has been apparent for some time that profits, subject to the control of 100 per cent EPT, have, in the chart-reader's jargon, been bumping along the bottom. The results of the latest quarter show a further slight rebound, already dimly apparent in the second quarter results, from the lowest levels of a year ago. It would not be safe to put too much reliance on the results of the third quarter companies, whose form (owing to the composition of the sample) has often been unpredictable. But the general conclusion is clear from Table I. below:—

TABLE I.—474 THIRD QUARTER COMPANIES' GROSS PROFITS
New Basis (in £000's)
(All Figures Gross)

	Year Three Preceding		Year Two Preceding		Year One Preceding		Latest Year	
	(1939)	%	(1940)	%	(1941)	%	(1942)	%
All interest	5,147	8.1	5,190	8.1	5,036	7.9	4,666	7.1
Prof. divs.	11,630	18.4	11,823	18.3	11,957	18.7	12,267	18.7
Equity divs.	35,815	56.6	34,604	53.6	34,241	53.5	35,094	53.6
Sub-Total	52,592	83.1	51,617	80.0	51,234	80.1	52,027	79.4
Free reserves and net carry forward	9,974	15.7	12,128	18.8	11,682	18.3	12,034	18.5
Other savings*	765	1.2	758	1.2	1,034	1.6	1,398	2.1
Profits before tax, but after EPT	63,331	100.0	64,503	100.0	63,950	100.0	65,459	100.0
Per cent. of third preceding year	100		101.8		100.9		103.3	
Rate of tax applied in grossing up...	7s.		8s. 6d.		10s.		10s.	

* Redemption funds, deferred repairs, etc. (grossed up at corresponding rates of tax).

Here are 474 companies whose profits, before standard income-tax but after EPT, have increased by just over 2 per cent, from £64 millions to £65.5 millions. The fact is more surprising in its direction than its extent, for it can hardly be said that this minor increase "puts the profit back into war." Yet it is an increase which would have been all the greater but for a substantial fall in rubber and shipping profits, and it calls for an explanation.

In part, the reason lies in the writing back into profits of certain reserves, for EPT and other special purposes, which were made on a cautious scale earlier in the war. This is hardly surprising, now that directors know their EPT standards, and also the measure of any special financial reserves demanded in the third year of war. This release of excessive appropriations made in previous years has undoubtedly played an appreciable part in the modest uptilt of profits during the last few months. Further, a number of companies which, in the early stages of the war had lost their peacetime business, and had not replaced it by war contracts, have by now successfully changed over, and have restored their profit-earning capacity at, or near, their EPT standards. Any increase in profits for such reasons as these is, indeed, to be welcomed rather than lamented. Finally, there is a limited group of companies, serving the consumption trades, which still continues to profit by generous spending on the part of certain sections of the public. Rising entertainment and brewery profits may suggest that Lord Kindersley's adjurations to save go unheeded by some people, but even here, it is well to add, the Excise

greatly profits from more water in the barrel and from crowded cinemas which cost little extra either in manpower or celluloid.

There is, then, nothing in the latest results which can be read as a challenge to the ubiquitous control of EPT throughout industry. Nor is the extent of the rebound of profits from the trough in any way remarkable. This is evident from a consideration of Table II below:

TABLE II.—GROSS PROFITS BEFORE TAX BY FINANCIAL YEARS
(In £000's)

Accounting Date Ending In	No. of Coys.	1938	1939	1940	1941	1942
1st quarter.....	596 587 328	68,941	64,660	67,282	60,474 48,648 ...	... 52,043 ...
2nd quarter.....	383 371 162	39,579	39,844	37,644 37,348 ...	39,473 21,299 ...	... 21,445 ...
3rd quarter.....	360 345 7	42,880	40,900	42,636 41,650 ...	38,457 421 ...	... 388 ...
4th quarter.....	964 752	156,236 ...	162,927 ...	154,538 131,981 ...	131,163 ...	...
Whole Year.....	2,303 2,055† 497*	307,636	308,331	302,100 277,270 ...	269,567 70,368 ...	... 73,876 ...

† Incomplete. * Incomplete results for first three quarters.

The same point is even clearer from the index number of these same gross profits in Table III. In the second quarter of this year (the latest for which reliable figures are yet available) profits were running merely 0.4 per cent higher than in 1938. And this result refers to gross profits, before deduction of income-tax. Taking net profits as reported

THE ECONOMIST NEW PROFITS SERIES.

The notes below may assist readers to follow the improvements in our profits figures.

The new figures are presented throughout on a gross basis and represent the closest estimate that can be made of industrial profits, before deducting any charge for standard income tax.

The gross profits are shown (a) under periods in which they were published and (b) under the periods in which they were earned.

(a) A four-year comparison of gross profits of companies whose accounts were published in the latest quarter of this year is given in Table I.

(b) A five-year linked comparison of gross profits arranged by accounting periods is given in Table II., and this is expressed as a quarterly geometric index number of gross profits (four quarters 1938 = 100) in Table III.

The *Economist* index of net reported profits (i.e., net profits taken from the companies' accounts without adjustment for taxation) has been converted from an arithmetic to a geometric basis (July, 1935, to June, 1936 = 100) and is given in Table IV.

As from the second quarter of 1942, the figures of Table V. have been calculated on the new gross profits of Table I., less interest. The companies given in Table VI. have been partially regrouped. The net profits are still given on the old basis, that is as reported by the companies, but gross profits are on the new basis of Table I.

in the companies' accounts themselves (these are struck, in many cases, after charging standard tax), the present level is 95.4 (four quarters ended June, 1936 = 100), against approximately 125 immediately before war broke out.

We may now introduce the further changes in our profits figures, referred to in the first paragraph. Table V below shows the revised figures for distribution of profits among, and percentage payments to, various classes of capital.

TABLE V.—DISTRIBUTION OF PROFITS AND RETURN UPON CAPITAL

	Proportion of Adjusted Net Profits			Rate of Payment (Gross)			
	Pref. Div.	Ord. Div.	To Free Reserves	Deb.	Pref.	Earned on Ord.	Paid on Ord.
1941	%	%	%	%	%	%	%
1st quarter....	17.7	73.1	9.2	4.5	6.1	16.3	14.5
2nd ".....	23.4	65.9	10.7	4.6	6.8	19.6	9.0
3rd ".....	25.7	65.0	9.3	4.5	6.9	12.1	10.6
4th ".....	29.5	54.1	16.4	4.6	6.4	10.9	8.4
Whole Year....	23.4	65.5	11.1	4.5	6.6	12.4	10.6
1942							
1st quarter....	19.9	71.3	8.8	4.2	6.9	17.0	15.1
2nd ".....	23.8	63.4	12.8	4.3	5.9	9.9	8.3
NEW BASIS							
2nd quarter....	21.3	54.6	24.1	4.6	6.0	11.6	8.6
3rd ".....	20.8	59.5	19.7	4.8	6.3	12.0	10.0

Hitherto this table has been based on estimates derived

TABLE III.—INDEX OF GROSS PROFITS, BY ACCOUNTING PERIODS
(Four Quarters ended December, 1938=100)

	Accounting Periods Ended In			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939.....	98.33	98.51	97.36	98.35
1940.....	101.20	99.68	102.00	99.49
1941.....	96.20	98.83	95.88*	97.01*
1942.....	100.9*	100.4*	...	...

* Provisional.

TABLE IV.—INDEX OF NET REPORTED PROFITS,
BY PUBLICATION DATE

(Revised Geometric Basis)

(Four Quarters ended June, 1936=100)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939.....	129.3	125.2	124.4	121.6
1940.....	120.7	120.8	116.8	115.1
1941.....	112.9	104.7	101.0	98.6
1942.....	96.5	94.4*	95.4	...

* Revised Figure.

from net profits reported by the companies themselves. It has now been revised on the basis of gross profits as computed in Tables I and II. The result is to reduce the proportion of gross profits distributed on preference, and, particularly, on ordinary capital, and to increase *pro tanto* the proportion set aside to free reserves. The effect, so far as the earnings percentages are concerned, is rather irregular, and it would perhaps be wise to regard the second quarter links which are given for comparison as a mere makeshift bridge until the new series has established itself.

The revision of Table VI is twofold. First, revised gross profits figures are given for each industrial group in turn (the reported net profits figures have been retained to show what the companies' accounts say, compared with what they ought to say). Secondly, we have given a further subdivision of the large miscellaneous group, and distinguished more closely between shipbuilding, engineering and general heavy industrial concerns.

In these times, we must be content with exhibiting, rather than expounding, these quarterly industrial profits figures as they appear, at least until some major change in trend occurs. The latest figures are far from showing such change. Over industry as a whole, profits and dividends remain stable, and are likely to continue so. The recent rise in ordinary shares may have been discounting victory. No one would pretend that it was based on increases in equity earnings and dividends which are at present in sight, or are possible under present conditions.

TABLE VI.—PROFITS BY INDUSTRIAL GROUPS
(Quarter ended September 30, 1942)

Industrial Group	No. of Group	"New" Gross Profits (£000's)		"Old" Net Profits (£000's)	
		Preceding Year	Latest Year	Preceding Year	Latest Year
Financial, Land	41	2,834	3,194	1,400	1,730
Trusts	23	2,125	2,094	917	841
Canals, Docks	1	45	38	30	24
Electric Supply	2	962	940	626	617
Hotels and Restaurants	4	Dr. 112	55	Dr. 100	Dr. 7
Newspapers	16	1,951	2,448	1,549	1,509
Shipping	9	4,720	3,622	2,403	1,910
Telegraph and Telephone	2	213	200	159	135
Tram and Omnibus	2	Dr. 65	61	Dr. 45	Dr. 18
Warehousing	2	146	134	124	117
Entertainment	7	1,063	1,445	581	737
Oil	9	3,755	3,472	3,767	3,737
Rubber	95	1,577	1,151	1,391	4,309
Tea	44	1,125	1,218	1,024	1,072
Breweries	35	11,582	11,798	6,191	6,287
Food, Confectionery	20	3,224	3,095	2,163	2,057
Shops and Stores	12	1,699	1,887	1,398	1,429
Textiles	16	4,640	4,127	2,611	2,142
Building Materials	9	703	1,037	374	548
Electric Equipment	4	1,634	1,566	945	918
Coal, Iron and Steel	24	7,296	8,192	3,997	4,071
Motors, Cycles	10	2,210	3,074	1,654	1,725
Shipbuilding	2	792	728	499	473
Engineering	21	1,031	1,085	642	644
Other Companies	64	8,787	8,798	5,701	5,423
	474	63,950	65,459	39,606	39,293

The New Franc Rate

One of the more interesting aspects of the introduction of British Military Authority sterling notes in North Africa is that it re-establishes an official contact between sterling and Vichy French francs which have hitherto provided the basis of the French North African currencies. When that contact was lost in July, 1941, the official rate was 176½ francs to the £, and this relation has been preserved for the francs circulating in all the French territories which came under the control of the French National Committee. But since July, 1941, the French currency and, therefore, that of the territories under Vichy control, has suffered a considerable measure of inflation and depreciation. Some measure of that depreciation was provided by the rate for the Moroccan franc in Tangiers, where up to 550 francs to the £ has recently been quoted. Some acknowledgment of this depreciation had to be made in fixing the official rates for the military sterling and dollar notes taken into these territories by the British and American forces. The rates fixed—75 francs to the \$ and 300 francs to the £—appear a reasonable compromise. But it follows that henceforward the francs circulating in North Africa will be at a considerable discount on those circulating in the Free French territories—a problem which, if the differentiation has to apply to the contiguous territories of French West and Equatorial Africa, may hold far more difficult potential than it does to-day. The differentiation also seems to preclude the new Free French central bank, the *Caisse Centrale pour la France Libre*, from fulfilling any function in the North African territories. This confusion which exists in the monetary affairs of the various French territories is but the counterpart of the prevailing uncertainty of their political set-up, and of the obstacles that stand in the way of their ultimate reunion. Inevitable as was the decision to give the North African francs an exchange value differing considerably from that of the Free French francs, it cannot be denied that it is setting up a store of forbidding problems for the future.

Monetary Regime in North Africa

The introduction of military sterling and dollar notes in North Africa is in no way intended to provide the wedge for establishing a new monetary regime in those territories. The special sterling and dollar notes are designed to meet the immediate needs of the Allied forces, and it is not expected that they will form any permanent part of the monetary circulation. The fact that they will not be legal tender outside the areas in which they are issued will deprive them of most of their attraction to local hoarders. One must, therefore, expect that as soon as they get into the hands of the local population they will be taken to the banks for exchange into local francs. Ultimately, therefore, these special notes should make their way to the banks of issue in the territories concerned. These are the *Banque d'Etat du Maroc*, whose notes circulate in Tangiers as well as in French Morocco, and the *Banque de l'Algérie*. Both banks have small metallic reserves, but the bulk of the backing for the notes they issue is provided by French Government securities. Their advances to the French Government have increased over the past two years as a result of the disequilibrium in the trade between France and the North African colonies. There has been an appreciable balance of trade in favour of North Africa. This has been reflected in expanding claims by the colonies on France, which have been converted into direct loans to the French Government. This close link of the North African currencies with the French franc must for the time being be severed, and the fixing of a rigid exchange rate between these francs and the dollar-sterling group must bring them into the Allied currency bloc. As the military notes reach the two central banks, these institutions will presumably be allowed to convert them into dollar and sterling balances, and thus the backing behind the local franc currencies will begin to acquire a specific United Nations flavour. This process will be intensified as trade begins to develop between the North African territories and the Allied nations.

The Power of Credit Creation

The London Chamber of Commerce, in the current issue of its Journal, expresses concern at the confusion which exists in so many minds about the function of money

and, in particular, about the position of the banks. It mentions, as an example of the prevailing ignorance, the fact that *The Economist* should have been able to assert "without challenge" that the banks are far from unique in their power to create credit and that this power can be wielded by merchants and tradespeople. Is this assertion really as astounding as the *Chamber of Commerce Journal* supposes it to be? If the bootmaker gives credit to his baker and the baker in his turn gives credit to the bootmaker, is not credit being created independently of the banking system? Will the London Chamber of Commerce deny that a nationwide extension in this country of the "chit" system, formerly so popular in the Far East, by which a host of transactions between shops and individuals are carried out on credit, would involve a true creation of credit? Will it deny that such credit would have a real effect on the currency and price situations? There is nothing strange about *The Economist's* assertion—certainly nothing so strange as the apparent indifference with which the bankers and merchants of the City of London, who presumably form the backbone of the Chamber of Commerce membership, have for so many years tolerated the type of economics for which the *Journal* has provided a sounding board.

Royal Bank of Scotland

The latest report of the Royal Bank of Scotland, while conforming with the expansionist trend of banking figures in this country, shows some interesting contrasts to the general experience. Deposits at £89,200,000 are £7,193,000 up on the year, thus establishing a new high record, while the balance-sheet total by reaching £108,172,000, has crossed the £100 million mark for the first time. An increase of £4,576,000 in the holding of British Government securities provides the main counterpart to the expansion in deposits. Up to this point, the experience of the Royal Bank duplicates that of most other British banks. The contrast lies in the fact that its advances, commercial bills discounted, and acceptances all show some increase over the year. The movements may be modest, but they reflect a vigorous and welcome maintenance of the genuine banking—as opposed to investment—side of the business. The net profit for the year to October 10th last amounted to £516,386, as compared with £491,522 for the previous year. The latest figure, grossed up for tax, shows that the profit before taxation was the largest declared in the history of the bank. Yet it is interesting to note that the figure shown in the report is arrived at "after providing for income-tax and National Defence Contribution." There is no mention of Excess Profits Tax, and one may assume that last year's profits did not reach the EPT standard. If that standard is in effect based not on past profits, but on the capital employed in the business, it is evident this capital must be greatly in excess of the relevant figures shown in the balance-sheet.

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Finance and Banking

Note Reserve Falls

Although the November making-up has already made its influence felt in the money market this week, the credit position has been exceptionally easy. The clearing banks have been prepared to buy January maturities in limited amount, and the market has found no difficulty whatever in obtaining the finance to run any addition to its bill portfolios. The discount market had to take up a rather larger amount of bills this week, the total application for Treasury bills at last week's tender having dropped by some £15,000,000 and the proportionate allotment at the lowest price accepted having risen consequently from 31 to 36 per cent. Treasury Deposit Receipt payments by the clearing banks were stepped up from £30 million to £45 million this week, the last figure comparing with current maturities of £30 million. The pre-encashment of TDR payments over maturities can have been

little more than the nominal figure of £15 million. In spite of the heavier net floating debt borrowing during the week, Government balances at the Bank of England have made little recovery from the exceptionally low level reached the previous week. The past week's increase in this item amounted to £1,015,000, raising the total to £8,178,000. Thus the policy of maintaining these balances at the most economical level possible is being continued. Never has the immobilisation of cash in Public deposits been so persistently small as in recent months. Despite a further expansion of £2,034,000 in the note circulation, bankers' deposits have risen by £2,790,000 to reach the very comfortable level of £145,721,000. The key to this expansion is provided by the further rise of £3,210,000 in Government securities. The latest increase in the circulation only leaves £15,007,000 of unissued notes in reserve and reduces the reserve ratio to 8.1 per cent. It is generally expected that the reconstitution of both figures by the appropriate increase in the fiduciary issue will have occurred within a week.

Investment

The Fruits of Victory

It is one function of the Stock Exchange to act as a barometer and the general movement of prices over recent months has, clearly, had reference to a high pressure area which is still a very long way off. Within this general trend there are, however, minor influences at work, of which one was clearly the expectation that, this time, the efforts of the United Nations in North Africa were to be successful. There can be no doubt that some short term speculators sold on the event, but their relative lack of importance is demonstrated by the fact that the industrial index of *The Financial News* has, so far, fallen by no more than 0.749 per cent, the fixed interest figure remaining virtually unchanged. There has, however, been one important subsidiary effect. Against this background of a reversal of the trend, the publicity given to the proposals for the control of speculation has been effective. The number of bargains marked has dropped by almost one third as against the hectic days at the beginning of last week, and the gambling element has almost completely vanished from the market. In the circumstances, there is some reason to suppose that the projected agitation at Westminster will be postponed. Meanwhile, however, the special sub-committee of the Stock Exchange, London, is making a very thorough investigation as to the possibility of taking further action. It is far too early yet to say what their findings may be, but there is a general assumption, based on the experience of similar investigations here and abroad, that they will not find anything approaching a cut and dried solution. The pressure of opinion, both of the public and of the colleagues and competitors of those concerned, is the best means of securing a better standard from the backsliders, but the number of these and the volume of business, in terms of money, which they handle are almost negligible against the totals involved. Under normal market conditions, it might easily increase and, if a further investigation at this stage can produce any suggestions, that is all to the good, but it is certain that the general trend of markets, and 90 per cent of the business which has produced it, is due to perfectly legitimate anticipation of events. There will always be room for differences of opinion as to whether a given level of prices is fully justified, but if an event is regarded as finally inevitable it may be discounted a very long time ahead. The real disagreement is as to when incentive to private initiative will be restored by permitting some rise in equity earnings, beyond the very moderate one already possible. Government pronouncements bearing on this question will be watched with great interest, and they will probably determine the long term trend of prices. As to the immediate outlook, the market is still in that slightly nervous state which invariably follows the cessation of a rise of protracted character. Business may well fall off further, but there is nothing in sight, at the moment, to suggest anything more drastic than a slowing down of the rise in equities, such as is natural as the return obtainable falls towards that received on long term Government securities.

A Welcome Experiment

The board of the Brazilian Warrant Agency and Finance Company are to be congratulated upon a proposal which can do much to prevent the abuse of nominees, so far as that company is concerned. The existing proprietors are being asked to sanction changes in the Articles of Association, requiring that any transferee or purchaser of shares in the company shall sign a declaration, either that he holds the shares for his own account, or that they are held for a named person. It is intended to keep a list of these names and to make them available on the same terms as the register of the company. Should any person commit a breach of these requirements—supposing them to be adopted—power is sought to suspend his shares; and shares so suspended will carry neither dividend nor right to vote during the period of default. They immediately become normal holdings, however, upon the requirements being complied with. The directors point out that they are convinced that no member of the board has been operating in the company's shares, but they feel that the company works under circumstances which offer peculiar facilities

for others to do so. The plan is, of course, conditional upon its adoption as a special resolution, and it will not affect any existing holdings. Arrangements have been made with the Committee of the Stock Exchange so that there shall be no interference with the normal market in the shares, and it is to be noted that the Committee has, by inference, blessed the policy of control of the use of nominees.

It remains to be seen whether or not the shareholders will adopt the plan. There is good reason why they should. For operations by the ill-disposed can only harm their interests. At the same time, it is possible that some trustees will avoid investment in a company which imposes special limitations upon the freedom of its shareholders. There can be no doubt that the intention of the scheme is excellent, and it seems that the provisions have been drawn so as to make evasion as difficult as possible and, at the same time, avoiding any collision with the Companies Act. Even if it is adopted it will, however, not apply to existing nominee holdings in the company's shares, while there is no guarantee that companies as a whole will follow the example. In particular, it is scarcely to be expected that those concerns in respect of which the need is felt to be greatest will hasten to change their Articles. The step is extremely welcome. It deserves the full support of the shareholders, and it points the fact that one directorate at least is conscious of the evils of unrestricted use of nominees, which, in fact, defeats the intention of the law that the members of a company shall be able to discover who holds the shares. But the step will be most useful if it stimulates the Board of Trade to initiate legislation barring the use of nominees for reasons of secrecy. It will be no easy matter to ensure that the true beneficial owner is always disclosed, but, with good will on the part of directorates and the co-operation of the Stock Exchange, it should be possible to effect a very great improvement in this matter, which has for so long been a serious defect in company law.

General Theatre Offer

Through an intermediary, Philip Hill and Partners, the Gaumont-British Picture Corporation is offering to purchase, at 12s. 6d., 90 per cent or more of outside holdings of the 6s. 8d. participating preferred ordinary shares of the General Theatre Corporation. The latter concern is either a subsidiary or an associate of the former, but the extent of the present holding is not disclosed. The latest accounts are those for the year to March 31st, 1941, in respect of which no dividend was paid on the shares in question. Payment was resumed with an interim of 4 per cent in March last. The rights are to a 15 per cent dividend non-cumulative, and to 50 per cent of the profits. On liquidation, a premium of 15s. 4d. per share is due as a compensation for the writing off of 13s. 4d. per share in the reconstruction of 1935. For the ensuing five years, distributions averaged 12 per cent per annum, and prices ranged from 10s. 2½d. in 1936 to 18. 8½d. in 1940, while in 1933 they had touched 14s. 2½d. The sole reason given for the purchase is a desire to consolidate the interests of Gaumont-British. This is an expression which may mean anything or nothing, but Mr Rank has stated his intention to simplify the internal structure of the group. Gaumont-British manage the theatres and cinemas of General Theatres. They must know the results for the year 1941-42, and it is impossible for holders of the shares to reach a reasonable decision as to the merits of the offer until they are equally well informed. Judged by the market price prior to the offer, namely, 9s. 9d. to 10s. 9d., the offer is not ungenerous, but that price is based on a position which is now 20 months old, and holders ought not to be asked to make a decision in those circumstances. It is very difficult to tender any advice. The holders are in a very weak position in that it is quite impossible to say whether their interests coincide with those of the group as a whole. It is therefore not surprising that the shareholders' committee should have taken action. At a meeting on Wednesday they expressed the view that, owing to the conflict of interest, and the impending Board of Trade inquiry, an independent accountant ought to be appointed to investigate the position of General Theatres and report whether or no the offer of

12s. 6d. per share is fair. Following this announcement, Mr Rank stated, at the Gaumont-British meeting, the extension of the offer until seven days after the appearance of the General Theatres accounts, a tardy step in the right direction.

Rubber—A Suggestion

Mr T. H. Graham, chairman of the Malaya General Company, is among the latest to express his belief that there should be room for both plantation and synthetic rubber after the war. He bases this belief on the hope of some method of rationalisation between the two, aimed at the prevention of major slumps and booms, and he gives the arrangement between the natural and artificial nitrate producers as a possible model. It is still premature to attempt to forecast what potential production will be of either plantation or synthetic rubber after the war, but the owners of the former may at least hope that they will not be cast for the rôle of the Chilean *oficinas*. For there is not as yet any suggestion that the output of synthetic rubber can be indefinitely extended at a low cost, although it is not an impossibility that such may be the case at some time in the comparatively early future. At present, however, the indications are that the cost factor will favour the well-placed and efficiently run plantation. The two positions will, however, probably have this in common, that costs per unit are likely to decline more rapidly with increased output in the case of the factory product, with consequent weakening of the bargaining power of the plantations. Taken by and large, the best hopes of a reasonable prosperity for both sections of the industry must be based on an arrangement which ensures that the cost shall be sufficiently low not to impose any substantial barrier to the expansion of the use of the product. Granted that, and the emergence of a workable programme for the gradual development of the economically more backward countries, the wartime expansion of transport by air and road should greatly stimulate the demand for rubber, and the plantations must have a large share in satisfying that demand until the time comes—if it ever does—when the factory product is definitely cheaper. Mr H. J. Welch, in his statement to shareholders of Malayalam, expresses the view that the plantations can hold their own even if synthetic production means a considerable cut in price.

British Celanese

The revised terms of the scheme for dealing with the arrears of British Celanese preference dividend are now officially published, and will be submitted to special meetings on December 8th. They are essentially as set out in *The Economist* of November 7th, and, as they have the support of both the Association of Investment Trusts and the Shareholders' Committee, they will, presumably, be adopted. In the sense that they give to the holders of the second preference shares a security that can probably be converted into cash, over a fairly extended period, for a sum roughly equivalent to the net amount of the dividends funded, the holders of that class of security may be held to have achieved their immediate objective. The estimate of what they will probably receive over a period of years is based, however, not on a clear account of past earnings, but on an estimate of the board's, which may prove no more reliable than have some of their previous attempts to forecast the future of the undertaking. This fact, coupled with the circumstance that the future policy of the company is to be even less conservative than in the past, must cause considerable uncertainty about the long term investment value of the second preference shares at least. It may be that the duty of that class of holder was merely to obtain payment in full, but it is evident that, if that is being effected at the cost of future security, it is a very poor bargain.

Company Notes

Bass Setback

The decline in total profits of Bass, Ratcliffe and Gretton for the year to September 30th last from £1,574,417 to £1,560,942 is not considerable. Its significance lies in being against the trend of soaring brewery gross receipts. The reason for the modest setback is not apparent from inspection of the accounts. But it is very possible that indirect taxation has had a differential impact which presses

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17th November, 1942.

DEAR SIR (OR MADAM),

ARREARS OF DIVIDEND ON THE 7½ PER CENT. PARTICIPATING SECOND CUMULATIVE PREFERENCE SHARES.

Following the meeting held on the 29th October, it became clear from representations made to the Directors on the part of the Second Preference Shareholders who had opposed the Scheme submitted to that meeting, that the gap between the Scheme and the terms for which those Shareholders were contending was so narrow that every effort should be made to bridge it.

Further conversations have therefore taken place, in the course of which it has been found possible to arrive at an adjustment of the Scheme originally submitted, which the Directors feel they can put forward and which the Association of Investment Trusts have agreed to recommend to their members and the Committee of Second Preference Shareholders have agreed to support.

It has accordingly been decided to have a further series of meetings, and you will receive herewith Notices of Meetings called for the 8th December, 1942, in which Resolutions suitably revised are set out. The form of Funding Certificate has also been revised accordingly and is open for inspection as before.

The adjustment of the Scheme consists of an increase in the rate of interest on the Funding Certificates from 4 per cent. to 5 per cent. already announced to Shareholders at the Meeting of the 29th October last and the substitution of the previous provisions governing the withdrawal of the Funding Certificates by a provision that in respect of each financial year of the Company commencing with the year ending 30th June, 1943, an account is to be taken to ascertain if, and to what extent, the profits of that year (less tax) exceeded the amounts required to pay the dividend on the First Preference Shares, the 5 per cent. interest on the Funding Certificates and the fixed dividend on the Second Preference Shares, all calculated (less tax) down to the end of the year in question, including any arrears. If this account shows any such excess, 20 per cent. of the excess must be applied in the withdrawal of Funding Certificates, whether or not the Company makes any payment in respect of that year by way of participation to the Second Preference Shareholders or by way of dividend to the Ordinary Shareholders.

The compulsory redemption of Funding Certificates thus remains linked to the profits of the Company as earned from year to year, a condition which the Board has considered essential. The Board is encouraged to hope that the Scheme will now receive the fullest possible support which they have always desired.

The Scheme, if approved by the Shareholders concerned, will be submitted for the sanction of His Majesty's Treasury as required by No. 6 of the Defence (Finance) Regulations and will only become effective on such sanction being given.

By Order of the Board,
W. H. FOXON, Secretary.

most hardly on the more expensive types of bottled beer. Costs of production and distribution of bottled varieties have also almost certainly risen disproportionately. The accounts show that, if war damage contribution is not charged against profits, the 20 per cent tax free payment on ordinary capital is still covered by current earnings, although with a margin of only 0.5 per cent, against 3.5 per cent in 1940-41. The now customary transfer of £50,000 to contingencies has been maintained, so that there is a draft on the carry forward of some £40,000, reducing it to £833,474.

	Years ended September 30,		
	1940	1941	1942
Total income	1,503,980	1,574,417	1,560,942
Depreciation	78,346	66,312	55,319
Rents, rates and taxes	562,649	640,217	711,395
Renewals and fees	72,822	89,877	86,244
Debt interest	187,590	184,951	182,166
Prof. dividends	68,000	68,000	68,000
Ordinary stock :—†			
Earned	534,373	525,060	457,818
Paid	447,128	447,128	447,128
Earned %	23.9	23.5	20.5
Paid %	20	20	20
Reserves	50,000	50,000	50,000
Carry forward	844,852	872,784	833,474

† Tax free.

The balance sheet indicates that war damage contributions requiring £90,000 have been debited to contingencies reserve in the latest period, reducing the fund to £260,000 after the transfer from profits. Since this allocation is strictly a charge against profits, the earnings percentages given above must be considered a generous estimate. The slight contraction in debtors from £1,169,935 to £1,068,821, coupled with the rise in stocks from £490,880 to £714,664, provides a hint that there may have been some fall in demand last year. The jump in creditors, including tax, of some £270,000 to £1,820,084 is amply accounted for by the rise in beer duty. Net loans to subsidiaries are down from £441,346 to £426,066, and net liquid assets are reduced from £1,544,144 to £1,497,616. The balance sheet position remains sound, but the maintenance of the ordinary payment appears moderately endangered. The £1 ordinary stock at 160s. yields £2 11s. per cent, free of tax.

* * *

Singer Motors Recovery

The latest accounts of Singer Motors for the year to July 31st last show that sixteen months' arrears of dividend on the 7 per cent preference capital, cumulative since January, 1941, and one year's dividend of 6 per cent on ordinary capital, have been paid. In both cases, these are the first distributions received since the company's incorporation in 1936. The fact that the accounts show a fall in disclosed profits from £266,793 to £264,820 is due to the necessity last year of providing something for income tax and EPT, whereas in the previous year the accumulated loss obviated any transfer. In the current period, the directors point out that provision will have to be made at the full standard rate. Depreciation and maintenance require £26,331 and £87,925, against £23,282 and £51,351 respectively, but there is no provision for writing down jigs and tools, or new models which together took £40,000 in 1940-41. War damage contributions require nearly £10,000 less at £5,042, but ARP takes more than £11,000 more at £27,141. Thus, the sum available for dividends is reduced from £85,509 to £78,451. After meeting 16 months' preference dividends, absorbing £7,478 net, there is £70,973, representing 21.1 per cent for the ordinary capital. The 6 per cent payment is covered with more than £50,000 to spare, which goes to raise the carry forward from £25,267 to £76,026. The directors

state that business, as might be expected, expanded during the year. The balance-sheet figure of stock and work in progress actually declined from £189,090 to £175,469, but there was no stocktaking, and this valuation is only an estimate. Totals of liquid assets and liabilities rose substantially, while the net surplus of current assets is up from £387,974 to £430,259. Cash holdings have jumped from £167,130 to £447,613, and creditors, including taxation, from £233,394 to £481,792. The latest accounts suggest that, under the stimulus of war, the Singer concern has at last found a profitable basis for production. This conclusion must, however, be treated with caution until it is plain that a reasonable return on the equity can be paid when the company is meeting the full impact of war-time taxation. The 5s. ordinary shares, at 5s. 4½d. ex dividend, yield £5 11s. 7d. per cent.

* * *

Argentine Estates Profit

Thanks to the better price of sugar obtained under the new agreement of June, 1941, Leach's Argentine Estates were able to secure an increase in profit for the year to March 31st last from £177,331 to £189,388, despite a modest fall in turnover and an appreciable rise in costs. A frost, outside the company's area, reduced the country's production of sugar by 135,000 tons to 405,601 tons, but the company's own crop yielded a trifle more than was estimated. Its total, gross weight, production of sugar fell, however, by 6,488 tons to 28,762 tons. Sugar was responsible for 81 against 78 per cent of the company's income, but it also profited from higher prices obtained on fruit and alcohol, despite reduced output. Appropriations are virtually unchanged, and after distributing the usual 6 per cent on the ordinary capital there is £24,627 for reserve against £17,692. The balance sheet shows a rise in net liquid assets from £97,994 to £117,310, for which a jump of nearly £100,000 in debtors and payments in advance is mainly responsible. There is also a substantial increase in stores and materials from £131,072 to £221,397 occasioned by purchases against the possibility of future shortage. On the other side of the statement, creditors including taxation are up from £191,322 to £273,305, while bank overdraft is some £7,000 higher at £37,655. The vice-chairman points out that the sum likely to be required for exchange loss on dividend remittances is some £20,000, against £17,490. Total reserves stand at £464,284, against £457,147. The 1942 crop shows a further decline of some 10 per cent for the whole country, while the company's own crop is very heavily reduced. It has, however, in hand a fairly heavy carry-over, which should suffice to maintain activity until the new crop is available. In these circumstances, profit can hardly be fully maintained, especially as all costs are rising, but there is no need for serious concern. The 10s. shares, at 9s. 6d. ex dividend, yield £6 6s. 3d. per cent.

* * *

Brazilian Warrant Improvement

In 1941, the Brazilian Warrant Company, to adopt the new name suggested by the board, enjoyed the most profitable year of the past decade. Total profits of this concern, whose highly commendable attempt to regulate the position of nominee holdings is discussed above, rose from £48,861 to £91,608. After transferring £5,000 against equity of £50,774, against a deficit in 1940 of £9,184, and the ordinary shareholders receive 8½ against 6 per cent, covered by a rate of 36.7 per cent against nil. The improvement is no doubt due to the rise in United States demand for Brazilian products, including coffee, in view of the shipping situation produced by the war, and the absence at that date of shipping difficulties in the western hemisphere. After crediting tax recovered from dividends and allocating £15,000 against nil to general reserve, the carry forward is raised from £38,797 to £72,806 subject, however, to EPT for the period April, 1939, to December, 1941, and to taxation of profits acquired abroad and dividends from subsidiaries, accrued but not yet paid. The directors have also announced the intention of paying £17,500 from the carry forward as a centenary bonus to the staff of a subsidiary. The balance sheet shows a rise in net loans to subsidiaries from £36,534 to £112,428. Stocks, advances against coffee and cotton and debtors are all rather lower and there is a decline of some £9,000 in investments to £182,348. It is clear that last year's improvement, which was in the trading

side of the group's business, took place mainly through the subsidiaries and the position should be clarified by the publication of a consolidated statement. It is hard to say how the position will have been affected by the entry of Brazil and the United States into the war, but all costs must be expected to rise and demand for the import of any luxuries shipped by the company to decline. The 10s. ordinary stock, at 11s. 3d. ex dividend, yield £7 8s. 2d. per cent.

* * *

First Kaffir Results

Venterspost had another very successful year, although development was retarded by frequent intersection of water fissures. Development on the Main Reef continued to be very satisfactory, and percentage of payability on the Contact Reef again improved. Tonnage milled and grade increased, but an increase in costs reduced profits. This vast young property should be able to increase its milling plant after the war. In spite of an increased development footage, Consolidated Main Reef's reserves, representing four years' supply to the mill, again showed a serious fall in tonnage. Increased tonnage was milled, but a fall in grade and slightly increased costs reduced profits. Rather poor development over a period of years is leading to a regular fall in ore reserves. At Modderfontein East development footage was substantially reduced during the past six months, but tonnage of ore developed was greater than in the previous year. The reserves are almost maintained with a fall of 0.2 dwt. in grade. Milling results were substantially the same as for the previous year, but dividends were reduced. The mine has a long life, but the tendency

is for development values, and consequently ore reserve values, to fall. Development at Nourse was curtailed and the ore reserves show a substantial fall, but still represent about four years' supply to the mill. Tonnage milled and grade were unchanged. An increase in costs reduced profits, but dividends were maintained. The mine has passed its prime and development is now mainly dependent upon the restricted area in the south-eastern portion of the mine. Development footage in New Modderfontein was curtailed, and ore reserves show another heavy fall. All major development is finished, and the mine is fast approaching the end of its life. The shares at 13s. 6d. can only be considered as a speculation on their ultimate break-up value. Development at Blyvooruitzicht was carried on between the 2nd and 6th levels at respectively 4,050 feet and 4,830 feet vertical depth: the horizon of the 7th level was also reached in a winze. Eight thousand six hundred and seventy feet of development on reef was carried out, all of which was payable, with the very high value of 64.7 dwt. over 11.9 inches, or 770 inch-dwts. Five hundred and eighty-three thousand tons, averaging 14.8 dwts. over 45 inches, have been developed, but the greater part of this is within the area of the shaft pillar. Work is at present confined to the No. 1 Shaft, and only a small area of this large property has as yet been opened up. It would be remarkable if development continues to give indefinitely such high values. A small plant with a capacity of about 10,000 tons a month started up in February, but present returns and costs are of little significance. At 45s. the mine is now capitalised at over £11 millions, or about the same as that of Sub Nigel, and this is very difficult to justify. Large capital expenditure will be required for milling plant before the mine can be brought on to a dividend-paying basis.

	ORE RESERVES				TONNAGE MILLED						PROFIT		DIVIDENDS		Nov. 18, 1942	
	1941		1942		1941		1942		1941	1942	1941	1942	1941	1942	Price	Yield
	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Costs	Tonnage	Grade	Costs	000's	000's				
	000's	dwt.	000's	dwt.	000's	dwt.	23/7	000's	dwt.	24/3	£	£	%	%	29/9	%
Venterspost	2,714	4.4	2,677	4.4	1,348	3.91	23/7	1,359	3.94	24/3	628	604	13½	13½	29/9	4.621
Cons. Main Reef	10,564	3.6	9,827	3.5	2,472	3.15	20/1	2,543	3.01	20/5	794	624	27½	25	58/9	8.511
Modder East	7,198	3.8	7,168	3.6	1,620	3.33	16/4	1,664	3.29	16/3	944	952	37½	35	80/-	8.750
Nourse	3,913	4.3	3,427	4.3	991	3.96	24/1	991	3.97	24/9	418	382	22½	22½	47/6	9.473
New Modders	5,962	3.1	5,239	3.0	2,383	2.89	15/7	2,371	2.69	15/10	1,038	807	35	25	13/6	Nil

Industry and Trade

Steel and Plastics

During a recent broadcast, Professor C. E. Inglis, a former president of the Institution of Civil Engineers, pointed out that engineering progress would mainly lie in the production of the materials known as plastics, which would reduce iron and steel to a position of secondary importance. As a statement of long-term tendencies Professor Inglis' forecast may be correct. But this does not mean that steel is likely to be displaced by plastics as rapidly as, say, the motor car drove the horse-drawn carriage off the road. If anything, the indications point to a further expansion in the world demand for steel side by side with a growing demand for plastics. Between 1913 and 1937, a growing demand of crude steel rose from 75 million tons, world production of crude steel rose from 75 million tons to 133 million tons; since then, there has been a further substantial increase in the world's steel-making capacity, and the current rate of production is probably at least twice as high as in 1913. Professor Inglis' professional pride led him to make the sweeping statement that the whole economic structure in its present form rests upon "the planning, the ingenuity, and the organising ability of engineers," and that they should take a leading part in the "new order which they have created." He complained that at present engineers have no place on the bridge of Government and suggested that the inducement offered to them must be "something more tempting than an occasional invitation to serve on a Government advisory committee." Professor Inglis' views are symptomatic of a confused line of thought. Whatever his contribution to modern environment, the engineer has no claim to special privilege at the helm of government. He must stand in the queue with John Citizen and prove his worth. He must even rub shoulders with the economist who, the Professor said, would have nothing to economise without the driving force supplied by his own profession.

Aerodrome Construction

Apart from its lucid analyses of the general problems of war production and organisation, the Select Committee on National Expenditure continues its methodical investigations into ways and means of improving the output of specific industries or branches of industry. The latest important aspect of war production which has been examined by the Committee is the construction of aerodromes. Its recommendations have been embodied in the nineteenth report of the current session, published last week. The principal defect the Committee discovered in aerodrome construction is that none of those visited was completed within the time specified in the contract. Although each contract contains a penalty clause, this has never been enforced.

Contractors have become so enured to seeing contract dates of completion dishonoured that they lose the inspiration of the sense of urgency and a tendency to dawdle develops.

The Committee's revelations are serious. Uncertainty of completion may have an "unfortunate effect on the operational planning of the Royal Air Force," and it gives rise to waste of resources. One of the main causes of this state of affairs, cited by the Committee, is the constant alteration of plans and the delay in the supply of plans and drawings by the Ministry. In almost every case examined alterations have been made to plans during construction and the issue of revised drawings has been delayed. The Committee was astonished to find that in no case had a comprehensive time and progress schedule been prepared to ensure completion within a specified time. Nor does the Works Directorate of the Air Ministry possess a master time and progress schedule which seems essential for the appropriate distribution of available labour. In the view of the Committee, the absence of individual and master progress schedules has hitherto prevented the disclosure of inordinate delays

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

in construction. On the other hand, the Committee has found little justification for the allegation that some contractors have been specially favoured by the Ministry; so far as it was able to discover, the firms which have received a large share of the work are contractors of great experience and good repute whose work has been satisfactory. The extent to which contracts have been concentrated upon a few large firms is revealed by the fact that early this year 1.7 per cent of the contractors employed were responsible for 22.5 per cent of the work in progress and 6.6 per cent of them for 40.9 per cent of the work. There has been an improvement in the pricing of contracts; the priced schedule contract has taken the place of the target contract, except in special circumstances. So far as labour problems are concerned, the Committee found that there has been a good deal of exaggeration about excessive wages, slackness and absenteeism. On no site had average earnings exceeded £5 15s. 8d., and what appeared to be excessive remuneration for individual workers was usually the result of long hours of work or of exceptional effort on a payment-by-result basis.

Still Below the Target

Although the past month has witnessed a further improvement in the production of coal, it remained below the national target. The average weekly output of saleable coal during the four weeks ended October 31st was 4,124,500 tons, compared with 4,076,100 tons during the preceding four-weekly period. It fell short of the target by 48,500 tons a week, and was 7,000 tons below the figure for the corresponding period a year ago. As the accompanying table shows, district targets were exceeded last month in twelve districts, compared with eight in September;

PERCENTAGES OF DISTRICT TARGETS REACHED			
During Four Weeks Ended		During Four Weeks Ended	
Oct. 3rd	Oct. 31st	Oct. 3rd	Oct. 31st
%	%	%	%
Northumberland	99.7	102.8	
Cumberland	90.7	91.0	
Durham	99.0	101.1	
South Yorkshire	97.2	98.3	
West Yorkshire	97.0	97.3	
North Derbyshire	101.8	101.3	
Nottinghamshire	101.2	99.8	
South Derbyshire	103.1	104.0	
Leicestershire	102.5	102.8	
Lancashire & Cheshire	98.8	101.6	
North Wales	98.3	97.6	
North Staffordshire	97.5	98.5	
Canal & Chas.	96.6	97.9	
Shropshire	105.4	103.1	
S. Staffordshire and			
Worcestershire	95.4	97.0	
Warwickshire	100.6	101.2	
S. Wales and Mon-			
mouthshire	97.8	99.0	
Forest of Dean	100.1	102.8	
Bristol	97.5	101.0	
Somerset	104.6	104.6	
Pife & Clackmannan	99.6	101.8	
Lothians	99.5	98.3	
Lanarkshire	98.7	98.8	
Ayrshire	96.4	98.6	
Kent	94.6	98.7	

* Percentages based on output, adjusted for tonnage lost through holidays and circumstances beyond the industry's control.

more than 190,000 miners, representing over a quarter of the industry's total labour force, are to receive bonuses varying from 3d. to 1s. 6d. a shift. While no data have yet been published, the "save fuel campaign" appears to be meeting with some success. The Ministry of Fuel and Power is of the view that in industry "large economies could be made by an overhaul of the use of heat in process work." It has appointed a special sub-committee to meet representatives of the trade and research organisations of each industry with the object of assisting them in securing economies.

Road Haulage

So far the Government's decision to take direct control of long-distance road haulage and of the vehicles engaged in it—the scheme was described on page 583 in *The Economist* on November 7th—has not provoked serious criticism in public from the interests concerned, in spite of the far-reaching changes it must involve in a highly individualistic trade. The Standing Joint Committee, representing the "A" and "B" licence-holders of many national associations, has decided to submit a memorandum on the scheme to the Minister of War Transport, but this is concerned with details rather than principles. The Committee has emphasised that every step should be taken to ensure equity for all operators, that traffic carried by Government-owned vehicles should be brought within the scheme, that care should be taken to ensure equitable financial arrangements and the continued efficiency of the scheme, and that it should not predetermine the post-war organisation of road transport. The absence of serious criticism may reflect a consciousness of the need and inevitability of measures designed to economise road transport, and to maintain its

reserve of carrying capacity in condition for immediate use. The terms of compensation suggested by the Ministry of War Transport may provide one of the chief items for discussion.

Unemployment in October

The number of persons registered as unemployed at employment exchanges in Great Britain on October 12th is a new low record, at 101,080, and a drop from September 14th of 3,028. The fall was mainly in the category of wholly unemployed, as will be seen from the accompanying table:

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN			
	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment
Sept. 14, 1942			
Men	51,546	1,524	2,591
Boys	12,157	8	6
Women	23,996	1,138	140
Girls	10,963	39	
Total	98,662	2,709	2,737
Oct. 12, 1942			
Men	50,661	1,355	2,742
Boys	10,108	2	4
Women	25,273	806	120
Girls	9,975	33	1
Total	96,017	2,196	2,867

Labour for war purposes is being sought in every direction. A review of labour on farms is being made by the County War Agricultural Committees, on the basis of which it may be possible to direct more men into the Forces, and substitute women for them. Thousands of full-time Civil Defence workers have been transferred to munition factories. To compensate for their loss, the Civil Defence force is being made up with part-time labour. Over 100,000 men and women have been directed into part-time Civil Defence. A recent estimate puts the number of women in part-time war work at over 300,000. During October the Ministry of Labour placed 27,000 women in part-time employment. The concentration of the clothing industry is proceeding; all makers-up employing more than ten workers must make a return to the Board of Trade by November 28th. News of the Minister of Labour's plan for the withdrawal of workers from retail trade is still awaited.

The Tinplate Industry

British tinplate manufacturers have now reached agreement on the basis of a scheme for dealing primarily with the financial consequences of the concentration of production at a limited number of plants which has taken place under the pressure of war conditions. The majority of the mills have suspended operations and the buildings have been requisitioned by the Ministry of Supply for storage purposes. The main purpose of the scheme is to compensate old pooling arrangements under which the current demand *rata* to their manufacturing capacity is inoperative in pre-calculation of the contributions payable by operating from it of compensation to the owners of idle plant. The scheme is understood to command the support of the industry, and although it does not entirely fall within the scope of the Government's concentration of industry scheme, the Board of Trade has extended to it the benefits of Section 18 of the Finance Act, 1941.

Cabbages and Greens

A gap in food control will be made smaller by the Minister of Food's plan for the distribution of vegetables. Perishable foods are the most difficult to control, and the Ministry has tended, not unjustifiably, to deal with other foods first. Some vegetables have been under Ministry control for some time. The potato control scheme began in February, 1940. Carrots and onions were dealt with by the National Vegetable Marketing Company until last April. (Continued on page 647.)

COMPANY MEETINGS

GAUMONT-BRITISH PICTURE CORPORATION, LIMITED

DIVIDEND RESUMED

MR. J. ARTHUR RANK'S STATEMENT

The fifteenth annual general meeting of the Gaumont-British Picture Corporation, Limited, was held, on the 19th instant, in London, Mr J. Arthur Rank, J.P. (the chairman), presiding.

The following are extracts from the chairman's statement circulated with the report and accounts: In October last year Mr C. M. Woolf, Mr L. W. Farrow and myself were elected to the board. Mr Woolf became joint managing director of the Corporation, a position he shares with Mr Mark Ostrer, and I was appointed chairman of the board of directors in place of Mr Isidore Ostrer. In my capacity of chairman I have devoted much of my time and attention to the Corporation's affairs generally, and to the internal structure of the group in particular.

Steps have already been taken to clarify the internal position by adjustment of inter-company shareholdings, and a clearer picture in this respect will be reflected in our next accounts.

The balance-sheet of the Corporation now conforms more closely to recognised modern practice, and the profit and loss account is designed to show the earnings of the group as a whole, after providing for such necessary charges as excess profits tax, national defence contribution, and deferred repairs. In addition, a statement of the combined net tangible assets of the subsidiary group is annexed, and in each of these documents corresponding figures for the previous year are included, after adjustment, to a basis which simplifies comparison.

The satisfactory outcome of our trading operations has been achieved under conditions much more favourable to the business in which we specialise, and throughout the major part of the period business was on the upward grade. It was therefore to be expected that profits would exceed the level of more recent years.

I am pleased to report that the improved position reached at the date of our accounts and the satisfactory trend of business during the ensuing months are such as to justify your directors in recommending the payment of a dividend on the ordinary shares for the past year. Having regard to the heavy burden on profits imposed by taxation and in order that adequate provision be made in this respect, your directors have considered it prudent to set aside out of the profits of the year for the benefit of taxation reserve an additional sum of £140,000.

RESULT OF YEAR'S OPERATIONS

The earnings of the group as a whole for the year under review were £1,714,291, after deducting provisions made for excess profits tax, national defence contribution, deferred repairs and interest, other than

interest on the Corporation's outstanding debenture stock. At this level the earnings show an increase of £388,997 over the corresponding figure for the previous year.

In regard to prospects for the current year, trading profits of the theatre group have been fully maintained to date, and in other respects business is proceeding satisfactorily. On the other hand, the incidence of taxation bears hardly on your company, and by reason thereof we must expect some reduction in the earnings shown in the profit and loss account at £1,714,291. It may therefore be necessary, so long as E.P.T. operates, to reconsider certain charges against profits.

We have in our capacity of cinema proprietors operating on a large scale, participated to the full extent of our share in the relative prosperity of more recent times. The Corporation's policy of full co-operation with the various authorities responsible for the inauguration of national and social campaigns pursued through the medium of the cinema screen to further the war effort is being combined with the maintenance of entertainment of the highest class in the cinema world.

TELEVISION

With reference to the Corporation's interest in television, we have in the past sponsored the Baird system of television in pursuance of a policy inaugurated by the late chairman many years ago. Our investment having been consolidated and the management linked more closely with that of the Corporation, we are in a position to take a more direct interest in post-war developments.

The affairs of General Theatre Corporation, Limited, an important company operating cinemas and music-halls under the management of the Corporation, are progressing favourably. The music-hall section, linked with the similar business carried on by another of our associates, Moss Empires, Limited, continues to operate successfully under the able direction of Mr George Black. The activities of Bush Radio, Limited, are being devoted mainly to essential purposes.

The management of British Acoustic Films, Limited, is now more closely associated with that of the Corporation, and steps which are being taken will bring it within the subsidiary group. British Acoustic Films and its branches cover a variety of interests in the film industry, chief of which are the manufacture and supply of apparatus for recording and reproducing sound on film, the production of films of a cultural and educational nature, and the development over a period of years of a growing business in sub-standard film including apparatus for their

projection and sundry accessories. In the course of its development of the sub-standard film a wide range of subjects have been added to its library. Despite the abnormal conditions and general uncertainty brought about by the war, returns of business in this section are steadily progressing. I am pleased to report that final liquidation of our interest in the U.S.A. is now in sight. Our organisation in that country never fulfilled its early promise of success, and in recent years its activities have virtually ceased.

SUCCESSFUL SAVINGS SCHEME

In response to the national appeal a scheme for the promotion of saving was launched by the Corporation some considerable time ago, and, ably supported by our employees, has proved highly successful. Before the end of the calendar year approximately 100,000 National Savings Certificates will represent the total number issued to subscribers.

A further indication of the good work being carried on may be found in the results achieved by the cinemas of our circuit in collecting £40,000 in aid of naval welfare. Of this sum £30,000 has been expended in purchase of wool and woollen garments. In addition, we have purchased for distribution to the men of our naval forces 16,500 books, more than 10,000 games of various kinds and more than 1,000,000 cigarettes.

The report and accounts were unanimously adopted and a dividend of 6 per cent. on the ordinary shares was approved.

SECOND INDUSTRIAL TRUST, LIMITED

DIVIDEND MAINTAINED

The 31st ordinary general meeting of Second Industrial Trust, Limited, was held, on the 19th instant, in London.

Mr W. Sandford Poole (the chairman) said that the gross revenue showed a decrease of £5,127 as compared with the previous year. Some £2,000 of that decline was directly attributable to the extension of hostilities to the Far East, while income from investments in countries in Europe now in enemy occupation showed a reduction of £1,700.

It was interesting to compare the gross revenue of the past four years. The gross revenue in the year to September 30, 1931, was £72,361, in 1940, £74,989, in 1941, £74,407, and in 1942, £69,280. It was some satisfaction to find that, in spite of the extension of the war, their income for the past year had fallen by no more than £3,081 as compared with that in what was practically the last pre-war year.

The net revenue of the year amounted to £23,409. They again recommended a final dividend on the ordinary shares of 3½ per cent., maintaining the distribution at 5½ per cent. for the fifth successive year. While he did not anticipate any very serious setback in revenue during the present year, the accounts submitted did not fully reflect the effect of the catastrophic events in Burma, Malaya and the Far East last spring, and it was impossible to foretell that no further financial setbacks might arise in the course of the grim and stern struggle of the coming months.

The report was unanimously adopted.

(Continued from page 646)

when it was liquidated after a year's working and its functions transferred to the Ministry. This year, tomatoes were allocated by the Ministry, so that surplus producing areas made up supplies to deficiency areas, and maximum prices were fixed. The new measures apply to vegetables of the cabbage family: spring greens, sprouts, cauliflowers and broccoli, as well as cabbages themselves. Under the scheme, the full details of which are not yet available, the Ministry will decide when crops should be lifted and will buy direct from the growers, whose prices will be guaranteed. Normal trade channels will be used for distribution. The main purpose of the scheme is to ensure that surplus crops are

moved to areas where there are shortages, in order to achieve even distribution. In this respect, the experience gained in working the tomato scheme should be of great value. Ceiling prices will be fixed at every stage of sale. Grading of vegetables will not, under the scheme, be of the same refinement as hitherto. It is simpler to apply prices on a weight-only principle; to disregard quality and size as far as it is necessary to do so will result in a saving of transport. On the whole, success has attended the Ministry's efforts to control foods, even those which present difficult problems. In some cases, however, action might have been taken earlier. The plan for vegetables will none the less be welcome in the fourth winter of war.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

PENDING the clarification of the position in North Africa, the markets have displayed a marked disposition to await developments before attempting a further advance. Turnover in consequence has declined considerably, the opening day's total of 6,417 bargains showing a reduction of nearly 30 per cent on the previous Monday's record figure. Although sentiment has been assisted by the American naval victory off Guadalcanal, reduced quotations in most sections reflect considerable profit taking. The earlier firmness of the gilt-edged market was not maintained, small declines for irredeemable issues in mid-week contrasting with the stability of short-dated stocks. Australian stocks, however, registered a fairly general improvement in mid-week. Good advances for European bonds, in particular Czech Rights and Belgian 4 per cent loan of 1936, reflected shortage of stock rather than any active business. Japanese issues advanced strongly on speculative support, although Chinese bonds were generally lower. After their recent spell of inactivity, Brazilian loans improved on quiet support. Turnover in the home rail market was well below recent levels, most issues weakening. Among the junior stocks, GW and Southern deferred suffered most heavily, and neither LMS nor Berwick preference issues were fully maintained. In the foreign rail market, Argentine issues declined on lack of support.

Small falls predominated in most sections of the industrial market, but selling nowhere attained any considerable proportions. Brewery issues rallied after some profit-taking early this week, Ind Coope

and Meux leading the advance with gains of 1s., but Threlfall's remained dull. In contrast to the general trend, leading tobacco shares were steady. Falls exceeded gains in the motor and aircraft section, Raleigh Cycle Holdings, Rolls Royce and Dennis Motors suffering the heaviest losses. Among numerous small declines in the heavy industrial group, Hawthorn Leslie and Firth Brown were prominent with small advances. Activity in shipping issues was slight, losses in general not exceeding a few pence. Among textile shares, British Celanese issues were firm on the revised scheme, although in an otherwise steady stores group Prices Tailors fell 1s. 9d. on the year's results. In the miscellaneous section Spillers deferred were strong throughout and James Finlay jumped 1s. 6d. on the maintenance of the interim dividend. General Theatre Corporation were marked up 2s. 3d. on the Gaumont British offer.

Kafir issues attracted little attention this week, Blyvoors, in common with other Far West Rand shares weakening, but several finance shares improved in midweek. Rubber shares were quietly maintained, while demand for tea issues was sharply stimulated by the American naval victory, New Dimbula and Pabjoian jumping 2s. 6d. and 2s., respectively, among many other good gains. The oil market was dull, leading issues fluctuating narrowly without trend.

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Corres. Day 1941	Security Indices	30 Ord. shares	20 Fixed Int.
Nov. 12	5,495	3,650	92.9	134.3	134.3
" 13	5,003	3,252	93.0	134.3	134.3
" 16	6,417	3,303	93.0	134.3	134.3
" 17	4,919	3,486	93.1	134.3	134.3
" 18	4,682	3,840	92.8	134.2	134.2

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1942: highest, 93.5 (Nov. 9); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942: highest, 135.6 (Apr. 29), lowest, 132.2 (Jan. 5). ‡ New basis in S.E. List. § Old basis.

COMMODITY AND INDUSTRY NEWS

Agricultural Wages.—The Government has decided to transfer the powers of County Wages Committees under Section 2 of the Agricultural Wages Act, 1924, to fix minimum rates of wages in the counties and the hours for which such rates should be payable, to the Central Wages Board. The Board will fix rates and hours after consultation with the county committees. This change will continue so long as the present system of nationally fixed prices and an assured market for agricultural produce is in operation.

Fur Apparel Quota.—During the four months ended February 28, 1942, the quota for the supply of fur apparel to the home market is to be continued at the present rate of 20 per cent by value. A new concession is made in that fur coats supplied by manufacturers at a price not exceeding £7 10s. and fur waistcoats not exceeding £2 10s. will count against the quota only to the extent of half their value.

Export Control.—Under the Export of Goods (Control) (No. 42) Order (SR and O No. 2289), which comes into force on December 1st, control is extended to cover closures made wholly or partly of rubber, navigational logs, and additional types of machinery. The Order also extends export control to all kinds of prepared or ready-mixed paints, including distempers, lacquers, varnishes, paste paints and painters' enamels, and to a number of additional chemicals.

Boot and Shoe Repairs.—After consultation with the Central Price Regulation Committee, the Board of Trade has made

the Boot and Shoe Repairs (Maximum Charges) (No. 2) Order (SR and O No. 2249), which amends an earlier Order. Maximum charges for boot and shoe repairs carried out in a factory (an establishment with 25 or more workers engaged on repair works) are fixed at not more than 3½d. in the 1s. over the charges being made for comparable repairs in the week beginning August 21, 1939. Other repair businesses may charge 4d. in 1s. over pre-war levels. The Order came into force on November 16th.

Shell Egg Registrations.—The Ministry of Food has announced that up to September 30th, 4,300,000 people had surrendered their shell egg registrations, either as commercial and domestic poultry-keepers, or in order to enable their neighbours or friends to obtain rations of balancer meal.

Railway Wages Claim.—The Railway Staffs National Tribunal has heard the claims of railwaymen for an increase of 10s. a week in wages. The railway companies have offered an increase of 4s. to adult male railwaymen, other than drivers and firemen, 3s. a week to women and £10 a year to the salaried staff, which would cost £17,500,000 a year. The decision of the Tribunal is awaited.

Private Cars.—The Ministry of War Transport has announced that the manufacture of private cars has ceased, except for those under construction. Licences to acquire these have already been issued. No more applications for licences to acquire new private cars for civilian purposes can

New York

SMALL but widespread losses on a much reduced turnover reflected the general reaction on Wall Street after the recent upswing. Light buying on the generally favourable war reports was fully offset by selling for income-tax purposes early this week, while "peace" issues lost earlier gains on profit-taking. In midweek the market remained lethargic with business moderate and prices little changed.

STANDARD STATISTICS INDICES (1935-36=100)

WEEKLY AVERAGES					
	1942		Oct. 20	Nov. 4	Nov. 11
	Low April 29	High Oct. 21	1942	1942	1942
347 Industrials	62.4	75.5	76.4	77.3	78.4
32 Rails	58.4	75.1	74.4	75.4	73.6
49 Utilities	53.1	67.4	64.2	65.5	67.3
419 Stocks	60.8	75.3	71.5	73.3	76.4
Av. yield %	8.40	5.95	6.08	6.01	5.91

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Nov. 15, 1941	Nov. 14, 1942	Nov. 15, 1941	Nov. 14, 1942
Working days:	6	6	270	269
Birmingham	1,952	2,460	101,771	112,127
Bradford	1,973	2,673	98,594	94,746
Bristol	1,975	656	91,328	97,130
Hull	674	661	29,609	34,184
Leeds	666	875	45,960	50,198
Leicester	833	874	36,970	38,320
Liverpool	8,104	4,812	248,653	206,368
Manchester	10,931	11,135	530,045	546,347
Newcastle	1,552	1,252	60,440	66,263
Nottingham	388	448	20,193	21,066
Sheffield	326	667	31,996	38,107
Southampton	112	105	4,296	5,102
12 Towns	29,686	26,618	1,299,855	1,309,958
Dublin*	7,029	7,882	268,987	297,761

* Nov. 8, 1941, and Nov. 7, 1942.

OVERSEAS BANK RETURNS
SWISS NATIONAL BANK
Million Swiss Frs.

	Oct. 23, 1941		June 23, 1942		July 31, 1942	
	1941	1942	1942	1942	1942	1942
ASSETS						
Gold	2430.4	3441.7	3444.3	3484.1		
Foreign exchange	1086.7	142.6	122.2	87.3		
Discounts, etc.	159.1	126.8	37.6	41.8		
Advances	21.1	23.3	20.0	21.9		
Securities	69.9	66.3	66.3	64.5		
LIABILITIES						
Notes in circulation	2097.5	2246.3	2181.0	2428.9		
Other sight liabilities	237.6	253.2	247.2	236.3		

U.S. FEDERAL RESERVE
Million \$'s

	Nov. 13, 1941		Oct. 29, 1942		Nov. 5, 1942		Nov. 12, 1942	
	1941	1942	1942	1942	1942	1942	1942	1942
12 U.S.F.R. BANKS								
Gold certifs. on hand and due from Treasury	20,557	20,547	20,554	20,563				
Total reserves	20,814	20,814	20,802	20,809				
Total cash reserves	244	251	253	232				
Total U.S. Govt. sec.	2,184	4,441	4,551	4,658				
Total bills and sec.	2,201	4,465	4,576	4,684				
Total resources	24,088	26,660	26,571	26,918				
LIABILITIES								
F.R. notes in circ.	7,520	11,080	11,302	11,380				
Excess m. bank res.	3,540	2,160	2,120	2,400				
Mr. bank res. dep.	12,707	12,246	12,211	12,492				
Govt. deposits	807	372	361	254				
Total deposits	15,303	14,066	13,935	14,111				
Total liabilities	24,088	26,660	26,571	26,918				
Reserve ratio	91.2%	82.8%	82.4%	81.6%				
BANKS AND TREASURY RESOURCES								
Monetary gold stock	22,793	22,739	22,739	22,741				
Treasury & bank currency	3,222	3,366	3,369	3,373				
LIABILITIES								
Money in circulation	10,472	14,082	14,312	14,408				
Treasury cash and dep.	3,020	2,621	2,621	2,468				

RESERVE BANK OF INDIA
Million rupees

	Nov. 7, 1941	Oct. 16, 1942	Oct. 23, 1942	Oct. 30, 1942	Nov. 6, 1942
ASSETS					
Gold coin & bullion	444	444	444	444	198
Rupee coin	380	237	223	220	144
Balances abroad	644	820	874	944	865
Sterling securities	1,677	3,228	3,258	3,258	3,408
Ind. Govt. r.p. secs.	605	1,324	1,324	1,324	1,326
Investments	82	66	68	67	67
LIABILITIES					
Notes in circ. : India	2,800	5,117	5,125	5,147	5,271
Burma	197				14
Deposits : Govt.	192	171	197	229	78
Banks	479	652	685	708	719
Reserve ratio	68.3%	70.2%	70.5%	70.6%	71.7%

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Sept. 8, 1941		Aug. 24, 1942		Aug. 31, 1942		Sept. 7, 1942	
	1941	1942	1942	1942	1942	1942	1942	1942
ASSETS								
Gold and English ster.	18.96	27.86	27.86	27.86				
Other coin, bullion, etc.	6.42	8.21	8.33	11.74				
Call money, London	32.88	33.19	35.65	32.01				
Secrts. and Treas. bills	59.08	120.45	126.77	120.38				
Discounts and advances	20.78	23.92	23.78	22.64				
LIABILITIES								
Notes issued	71.11	108.11	109.11	110.11				
Deposits, etc.	107.19	132.69	141.69	135.12				

BANK OF CANADA—Million Can. \$

	Oct. 8, 1941		Sept. 16, 1942		Sept. 23, 1942		Oct. 7, 1942	
	1941	1942	1942	1942	1942	1942	1942	1942
ASSETS								
Reserve: Gold	15.8	0.9	0.9	0.8				
Other	665.7	887.1	896.9	920.8				
LIABILITIES								
Note circulation	440.7	613.8	618.1	635.7				
Deposits: Dom. Govt.	22.1	18.2	32.7	34.8				
Chartered banks	208.9	231.7	225.5	228.9				

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

UNITED KINGDOM: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1941		1942							
		1929	1932	1938	1939	1940	1941	Sept.	Oct.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
Population mid 1939, 47,676,000; Area: 95,030 sq. miles; (244,000 sq. kms.)																	
1. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1937=100	...	78	104	108	111	110	99	107	118	117	119	111	117	110	105	
2. " " Other merchandise		...	83	100	102	107	99	101	98	104	110	98	106	89	86	100	
3. " " Total		...	81	102	105	109	105	99	103	112	113	109	108	104	98	101	
4. Registered unemployed G.B.*	Thousands	1,212	2,756	1,791	1,514	963	550	231	216	136	127	118	106	107	114	104	
5. " " United Kingdom (a)		1,276	2,813	1,881	1,690	1,035	592	260	246	161	149	137	124	124	132	122	
6. " " London		118	306	226	239	214	59	38	40	32	33	29	27	26	26	24	
7. " " E. and S. England (b)		50	142	96	93	99	28	16	15	14	9	7	6	7	7	7	
8. " " S.W. England (c)		69	157	84	76	33	16	11	9	5	6	6	4	4	4	3	
9. " " Midlands & N. Midlands (d) (e)		165	371	210	153	92	28	13	12	10	6	6	4	4	4	5	
10. " " N.E. England (d)		280	602	208	151	75	30	20	18	10	9	7	7	7	7	8	
11. " " N.W. England (d)		285	562	398	309	149	54	44	40	14	14	13	13	15	16	13	
12. " " Northern		156	378	253	139	89	37	24	22	13	13	11	10	10	12	11	
13. " " Scotland		116	228	164	127	89	41	24	22	13	13	15	14	12	21	21	
14. " " Wales		36	68	91	76	75	42	29	30	25	21	19	18	17	14	13	
15. " " Northern Ireland		676	541	110	107	78	87	93	96	43	63	306	356	42	37	53	
16. Industr. disputes. No. days lost...																	
Wholesale Prices: Economist																	
17. Cereals and meat	1929=100	100	70.4	82.4	76.2	93.9	102.4	103.7	105.1	113.5	114.8	115.4	112.5	115.7	117.2	111.5	107.1
18. Other foods		100	72.8	68.4	76.4	95.4	111.0	116.3	116.6	116.0	115.5	115.8	118.4	118.4	118.4	123.0	121.0
19. Textiles		100	53.4	58.6	63.8	80.3	104.3	102.9	101.1	101.2	101.2	99.2	101.1	100.6	98.3	100.8	100.8
20. Minerals		100	76.3	97.4	100.0	125.0	135.7	135.1	135.8	136.7	136.7	136.7	136.7	136.7	136.7	143.5	143.5
21. Total, incl. miscellaneous		100	67.8	77.8	80.3	104.3	114.4	115.9	116.2	119.4	119.7	120.0	119.8	120.8	119.3	122.1	122.1
22. Cost of Living: Min. of Labour:																	
23. Food		100	81.8	90.1	92.4	107.2	108.7	107.1	107.1	103.9	103.9	103.2	103.9	103.9	103.9	103.9	103.9
24. Total		100	87.8	95.2	96.4	113.1	121.4	121.3	122.0	121.3	122.0	122.0	122.0	122.0	122.0	122.0	122.0
25. Industrial securities, Fin. News	Jul. 1, 1935=100	102.0	64.0	85.6	78.1	68.2	74.3	78.8	78.9	75.8	76.9	78.7	77.7	81.4	83.7	86.5	86.5
26. Fixed interest	1928=100	96.8	113.6	127.6	116.8	122.8	129.6	130.8	131.9	134.7	134.7	134.7	134.7	134.7	134.7	134.7	134.7
27. Govt. Revenue, cumulative (f)	Mill. £'s	815.0	827.0	1006.2	1132.2	1495.3	2174.6	786.1	916.3	2174.6	146.0	381.8	508.0	750.0	1020.4	1215.7	1215.7
28. expenditure (f)		829.5	859.3	1018.9	1408.2	2597.0	7487.3	2284.5	2615.6	4876.3	360.1	859.1	1320.7	1668.1	2198.2	2646.6	2646.6
29. Bank of Eng.: Notes in circ. (g)		362.3	358.5	487.4	509.9	566	651.3	669.4	685.8	753.6	765.2	782.1	794.0	814.9	831.5	832.8	832.8
30. " Bankers' deposits (g)		62.9	81.3	103.8	102.8	110.0	121.2	129.5	122.2	135.0	125.5	129.4	135.4	133.0	133.8	135.9	135.9
31. " Gov. sec. B'king Dept. (g)		55.9	64.0	103.2	107.0	143	142.8	122.6	136.6	163.7	149.8	132.4	141.2	154.2	136.7	13	
Clearing Banks: (h)																	
32. " Deposits		1,738	1,791	2,277	2,248	2,484	2,970	3,115	3,176	3,072	3,081	3,131	3,263	3,264	3,305	3,358	3,358
33. " Cash & bal. with B.E.		194	187	241	244	265	311	311	330	328	347	319	326	353	342	351	349
34. " Discounts		229	308	280	255	366	231	330	327	340	258	291	292	273	283	277	277
35. Treasury Deposit Receipts		...	...	...	...	...	...	495	531	596	476	450	471	543	607	634	693
36. " Advances		991	844	976	991	944	849	836	823	838	821	811	800	796	784	744	744
37. " Investments		257	348	637	608	659	919	939	986	1,050	1,048	1,049	1,058	1,075	1,082	1,097	1,097
38. Interest Rates: Bank rate	Per cent.	5.498	3.008	2	2.24	2	2	2	2	2	2	2	2	2	2	2	2
39. " Three months' bank bills		5.26	1.87	0.62	1.18	1.04	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
40. " Day to day loans		4	4.61	0.50	0.87	0.76	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
41. " Yield on 2½% Consols		4	3.61	3.39	3.76	3.40	3.12	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03

(Continued from page 651)
up for use when fresh vegetables are less plentiful than at present.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES
(1927=100)

	Mar. 31, 1937*	Aug. 30, 1939	Nov. 11, 1941	Oct. 27, 1942	Nov. 10, 1942
Cereals and Meat	93.0	66.9	101.7	104.5	105.6
Other Foods	70.4	61.1	98.7	104.5	104.5
Textiles	74.2	54.3	93.1	92.8	92.8
Minerals	113.2	95.4	129.8	137.2	137.2
Miscellaneous	87.0	77.6	113.9	122.0	122.0
Complete Index	87.2	70.3	107.4	111.7	111.9
1913=100	119.9	96.8	147.8	153.7	154.1

* Highest level reached during 1932-37 recovery.

NUMBER OF FOOD PROSECUTIONS

	Prosecutions	Number Successful	Percentage Successful
Oct., 1939-Dec., 1940	10,598	10,043	94.8
Total 1941	29,329	27,475	93.7
September 1941	2,501	2,280	91.2
October "	3,130	2,867	92.2
November "	2,400	2,228	92.8
December "	2,955	2,752	93.1
January, 1942	2,420	2,218	91.7
February "	2,670	2,535	94.9
March "	2,366	2,211	93.5
April "	2,487	2,323	93.1
May "	3,069	2,905	94.7
June "	2,983	2,738	91.8
July "	3,205	2,481	89.9
August "	2,658	2,445	92.0
September "	2,440	2,215	90.8

Source: Ministry of Food.

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

	Nov. 13, 1942	Nov. 13, 1942	Nov. 16, 1942	Nov. 17, 1942	Nov. 18, 1942
Crops	119.1	119.1	119.1	119.9	11
Raw materials	172.7	172.7	172.7	172.7	17
Complete Index	143.3	143.3	143.3	143.7	14
	Mar. 31, 1937*	Aug. 31, 1939	Nov. 11, 1941	Oct. 19, 1942	Nov. 10, 1942
Crops	147.9	92.2	114.2	118.9	11
Raw materials	207.3	122.9	170.7	172.7	17
Complete Index	175.1	106.4	139.6	143.3	14

* Highest level reached during 1932-37 recovery.

1 MAY 1943

THE ECONOMIST

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ONE SHILLING

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1865)

CAPITAL (PAID-UP) - £3,000,000
RESERVE FUND - £3,000,000

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NATIONAL BANK OF INDIA LIMITED.

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Canton	Madras	Nairobi	
Chittagong	Mandala	Nakuru	
Cochin (S. India)	Nuwara	Entebbe	
Colombo	Elthy	Jinja	Uganda
Dar-es-salaam	Rangoon	Kampala	
Mwanza	Tanga	Tanganyika Territory.	

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PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

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LONDON AND MANCHESTER ASSURANCE CO., LTD.

Life, Annuity, Accident, Fire, Motor, Burglary

Chief Office: Finsbury Square, LONDON, E.C.2

CITY OF BLOEMFONTEIN

FIVE PER CENT. INSCRIBED STOCK, 1960.

NOTICE IS HEREBY GIVEN that in order to prepare dividend due 31st December next the BALANCES of the above accounts in the above-mentioned Stock will be STRUCK on the night of the 30th November, and that on and after the 1st December the Stock will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas),

C. D. ALCOCK, Manager

Circus Place, London Wall, E.C.2. 12th November, 1942.

CITY OF JOHANNESBURG

THREE AND A HALF PER CENT. INSCRIBED STOCK, 1958-63.

CITY OF BLOEMFONTEIN

FOUR PER CENT. INSCRIBED STOCK, 1954.

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Ichabod

THE scenery shifts and the actors change. Sir Stafford Cripps joined the War Cabinet at a time of defeats and disasters; he leaves it at the dawn of victories. The Government changes announced last weekend came as a surprise; but, overshadowed by the heartening course of the war, they caused little stir. On the face of it, there was a simple explanation. When Lord Beaverbrook went temporarily to Washington last March on a semi-official mission, it was announced that he would be succeeded by a more permanent representative of Ministerial rank to deal with supply matters. Now, belatedly, the successor has been chosen. The Supply Ambassador is to be Colonel Llewellyn, Resident Minister in Washington. This was the first move. Into Colonel Llewellyn's place as Minister of Aircraft Production has stepped Sir Stafford Cripps; and the honours of which Sir Stafford divests himself are shared out. His seat in the War Cabinet is taken by Mr Morrison; the office of Lord Privy Seal passes to Lord Cranborne; Mr Eden replaces Sir Stafford as Leader of the House of Commons.

The significance of these moves is not perhaps so simple as the explanation. For Sir Stafford Cripps they mark the end of a chapter. When he joined the War Cabinet, he had become by chance a symbolic figure. He was the man of the hour because the hour was so heavy with uncertainties, and Sir Stafford Cripps, untried and uncompromised, was taken to represent the widespread

yearning for better things, for the effective conduct of the war above the level of party bargains and particular feuds and for the interpretation in positive policies of the aims and aspirations of the people. Now, when the war has entered a brighter stage and the people's hopes have begun to be realised in battle, the Reformer gives place to the Scientist. As Minister of Aircraft Production, in charge also of the use of wireless in offensive operations under water as well as in the air, Sir Stafford Cripps begins a new career—for which, by reason of his training in science and his skill in the handling of technical problems as a lawyer, he is well fitted. In the present phase of the war his new work is of very great importance. But what has happened to the career which popular esteem picked out for him nine months ago? It may be that he was the wrong runner to back. But it was the right race to be backed in. Is the race still to be run? Has the baton been handed on to Mr Eden, Mr Bevin, Mr Lyttelton, Sir John Anderson or Mr Morrison? The need for a spokesman of the New Democracy is not less in victory than in defeat. Indeed, the need to embody the nation's deep wants and needs in a programme of laws and deeds is more imperative than ever. The danger of losing the war has gone; but the danger of winning the war and losing the peace is still real.

The qualifications of Sir Stafford Cripps for the rôle which was thrust upon him were character and inde-

pendence of the party machines. There was nothing in his career either as a politician or as an ambassador to show for certain that he had either a policy or the quality of leadership. But he assumed the mantle willingly and with a sense of dedication. In his first speech as Leader of the Commons he took all reform as his province. His eagerness to do his duty was demonstrated when he left his high place at a crucial moment and flew to India with all his prestige at stake in a hazardous mission. Now he departs after nine months with little or nothing done; and, with the same sense of duty that sent him to India, he steps down to a supply department where his labours no doubt will be as devoted as ever. At the Cabinet table he has been succeeded by Mr Morrison. Mr Morrison has been unfairly and maliciously attacked for the way in which he has discharged his responsibilities as Home Secretary and Minister of Home Security; he has even been charged with ruthlessness, a quality which in fact he can scarcely claim. As a departmental chief, he has done well, and without doubt deserves the vote of confidence which the Prime Minister has given him by this promotion. He is dutiful, talented, persevering and right-minded. But, as a Cabinet Minister, his position differs from that of Sir Stafford Cripps in two significant ways. He is a party leader; and he is the active and energetic head of two busy departments. It is impossible to put aside entirely the fear that his appointment may mark the restoration of the old order, in which the Cabinet was openly a balance of political and departmental forces, a nice and negative equilibrium of different interests.

The spirit of government is indeed more important than its mechanics; and it would be unfair to Mr Morrison to suggest that he is less anxious or eager for reform than Sir Stafford Cripps. But the clock cannot be put back without causing misgivings among those with their eyes upon the future. The stress of war has simply shown that a Cabinet of party leaders, wholly pre-occupied by departmental affairs and chosen on a "representative" basis, is not the most suitable instrument for inspiring and initiating prompt and effective action. The requirements of peace, which now overhang all the deliberations of government, are no less exacting. The question must be asked, with some concern, whether

the things for which Sir Stafford Cripps was supposed to stand when he joined the Cabinet have departed with him. His words in the House last week have perhaps been given an added meaning by his departure. He denied the negative idea that the Government should regard its function to be the mere holding of the balance between reformers and reactionaries; he urged that political unity should not stultify policy—that if solidarity required reformers to modify their steps, it required the men conservatives no less to hasten theirs.

Perhaps these Government changes are personal and particular and have no wider meaning. The truth will soon be tested. The Government cannot go much further without proving whether or not the forward march has been called off. Some signs are ominous. The inertia into which the programme for physical planning has fallen is notorious. The lack of a definite promise in the King's speech of the broad reforms which need no argument, such as a new Education Bill or a Colonial Charter, caused widespread regret—not least perhaps, in private, to Sir Stafford Cripps. The return, in the latest Ministerial reshuffle, of the old practice of using the Colonial Office as a rest-centre or changing room is not encouraging. When Sir Stafford Cripps joined the Cabinet, the people's questioning ranged over the whole field of war and peace. Now, when he leaves it, many doubts about the war itself have been stilled; but all the wider and longer uncertainties remain. Until these doubts have been set at rest by firm proofs of the Government's intentions, many will regard the departure of Sir Stafford Cripps, rightly or wrongly, as being as symbolical as his arrival. The issue is not the merit or demerit of particular Ministers. What is at stake is the vitality of democratic leadership, which has been so grievously sapped by a decade of "national" Governments. Mr Churchill has been a host by himself in the battle; his are the laurels of the new offensive, as were those of the days of defence; and they will not fade. But the place beside him for men to look into the future, to speak the mind of Britain about what they see and to act upon it has still to be claimed. There, in the traditions and qualities of the British people, of all kinds and creeds, is the stuff of the New Democracy. Who is to seek it out?

From Strength

BAD news has become as rare as good news was for so long. The success and gathering strength of the Allies on the southern shores of the Mediterranean has been accompanied by the hammering of the Japanese in New Guinea and the Solomons and by the great Russian counterstroke to nip off the Nazi tentacles which had crossed the Don. There is still no reply to the new-style massive bombing of Germany and Italy. Almost unlimited vistas seem to be opened up as the offensive proceeds on land, at sea and in the air. Everywhere along the perimeter of Axis control, from Petsamo to Sicily, Sardinia, the Balkans and the Caucasus, there must be anxious waiting. By its new vulnerability, Italy marks the turn of the tide in a special sense; here, at least, is what looks like an Achilles heel.

All this has happened so suddenly that the necessary adjustment in attitude and policy is not perhaps easy. For more than three years, Allied diplomats and propagandists have perforce had to make all their leads from weakness. Now, abruptly, they can lead from strength. The use of Darlan to secure progress in French Africa has brought large and undoubted benefits; as Mr Eden has urged, in answer to protests; full discussion of this decision must now wait until the critical battle of Tunisia has ended. But the manoeuvre is in the old style, the style forced upon Allied foreign policy by the continued dominance of the Allies in the field—and, as an article on page 14 points out, by the limitations laid by the American position and by American politics upon the State

Department. Lord Halifax has said that "Darlan must be judged by his achievements." Undoubtedly, he will be, and the judgment will not begin with the events of November, 1942. But the Allies, in their newly proved strength, need make no more *ad hoc* bargains. The days for appeasement at last are done, and the spectre of a peace round-table surrounded by the sort of men whose outlook and actions made war inevitable before it started must now be laid. If any of those who courted war by their deeds both in their own countries and abroad turn to do a deal with the Allied victors they can be disregarded. The object is total victory, not only over the nations who wilfully brought about this war, but also over the men and the ideas which made the world of 1939 one in which war was inevitable. Total victory, unconditional surrender, no compromise—these are the banners which the United Nations can freely fly, without fear or favour, the banners which they must fly if their aim of a better and safer world is to be achieved.

It is opportune to point out these new opportunities and the new horizon. The thought of making a peace less than victory with Germany has never been entertained in this country since the first faltering months of war and there is no doubt that a Government led and inspired by Mr Churchill will be totally grim and totally uncompromising towards all foes. But, here and there, there are still remnants of loose and shoddy thinking about Italy. Not even the most sober and cautious of observer can question that Italy is headed for disaster and

that its spirit is all but broken—that, if it were not an occupied and dependent territory of German Europe, it might even be ready soon to call for quarter. But no quarter must be given. The people who remember that the Italians, like so many of the Germans, are nice folk, that the trains ran to time and the roads were good when they spent their pleasant holidays in Italian hotels, and that Italian society with a capital S was always pleasant and hospitable are barking, with characteristically British (and American) blindness, up the wrong tree. They forget, for instance, that the prototype of all that the Nazis have done by way of personal brutality in their political career, in their Brown Houses and their concentration camps, was the brutality of Italian Fascism, which began its progress towards popular infamy twenty years ago. They forget that the first spokesman of the creed of warlike aggression in the inter-war period was Mussolini, and that, in the days of his success, the nice Italian people and their charming social leaders took the Duce to their hearts. They forget the almost incredible refinements of cruelty which accompanied the building of a brief empire in Abyssinia. They forget the almost unparalleled treachery which brought the Italians boastfully into the war against France, when France was already beaten to its knees. They forget, in short, that it was Mussolini, not Hitler, who began it all, and that, whatever the Italians may feel now when retribution is at hand, Mussolini was given their backing when he was more successful. It is entirely wrongheaded to sympathise with the Italians because they have proved so much less efficient in battle than the Germans, or to wish to treat the first saboteurs of European decency and peace as merely misguided and misled, simply because some of them before the war sold ice-cream, ground organs,

waited at table, kept hotels or gave lovely parties. If the people of Germany are responsible for Hitler's deeds because they have given him support and backing for one decade, as indeed they are, the people of Italy are responsible for the support they have given to Mussolini for two.

Heavy fighting, bitter ordeals and, no doubt, disappointments and setbacks have still to come. But peace is in sight; and it is more than ever important that the people of this country and of the United States should remember why this war was begun and what brought it about. To seek a speedier peace by making terms with the men, Germans, Italians or of whatever country, whose creeds and habits brought war about would be a betrayal of all that has been worked and fought for—and a denial of the strength for retribution and justice which the United Nations have now mustered. The lead from strength must be unmistakable. Rightly, the British Government has declared its intention not to interfere in the independent concerns of other nations. But it would be wrong to interpret this as giving *carte blanche* to the return of the fascist heresies which debauched whole classes and countries before the war and found their final expression in cruel violence, brutality and naked aggression. Every nation is entitled to decide its own destiny. But it is not entitled to support for infringements of human personality and self-respect which, as was amply proved in the case of both Nazi Germany and Fascist Italy, lead inevitably to war without as well as within. The deal with Darlan must be no precedent. The United Nations must go on without compromise to the end when every aggressor will be down and out, everywhere and in every country. There is no need any longer for the Allies to falter and manoeuvre. They have the strength to win not only the war but the peace as well.

The Future of Gold

THE future of gold is more and more widely under discussion. The rôle of gold in war economy has been adequately and unflatteringly assessed by the recent decisions of the United States, Canada and Australia to stop production in order to free labour and equipment for the production of baser but more essential materials. There may be special arguments for maintaining gold production in South Africa. The entire economy of the country is so intimately geared to this one form of enterprise. But, for the rest, it seems to have been accepted, perhaps tardily, that the digging up of precious metals, except for industrial uses, should have as little place in a world war economy as the luxury trades which one after another are being stifled. The production of gold had a useful rôle to play as long as the United States remained neutral, and as long as the amount of gold offered to the United States had any effect on the volume

of assistance we obtained from that country. But that justification was considerably dimmed from the moment the Lend-Lease Act was passed, and it was altogether extinguished with the United States' entry into the shooting war. It is true that Argentina, Sweden and Switzerland still show a distinct preference for gold and have lately converted part of their foreign exchange assets into it. This preference is significant as a symbol of the esteem in which gold is still regarded. But it can hardly be argued that the cause of either belligerent side can be appreciably affected by its capacity to feed this minute neutral fringe with gold. For the duration of the war, therefore, the verdict—always excepting the very special case of South Africa—must be that the less gold is produced, the better.

It is, however, on the rôle which gold is to play in the post-war world that the main debate and the sharpest clash of views occur. Minds are now engaged on the task



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of shaping the grand design of the post-war monetary system. Whatever plan may ultimately be put into operation, it is certain (*pace* the Sound Currency Association) that it can involve no return to the monetary conceptions of 1925. The gold standard, as the text books described it and in the semi-automatic manner in which it sometimes operated, died in 1914. Its painful and chequered resurrection between 1925 and 1931 was perhaps part of the price which had to be paid for the understanding of economic realities. The lesson which should have derived from this interlude was not a distrust of gold as such, but a distrust of false parities, of the barren masses of international indebtedness created by the last war, of the economic nationalism, of the whole crazy pattern of economic contradictions which doomed the new gold standard—and would have made equally short work of any international monetary system.

Education did not stop at that point. What has been learned since 1931, since the departure from gold and since the initiation by Germany of the vast armament drive which, without any gold, indeed without any of the visual orthodox basis of "sound finance," was to accomplish the most stupendous and concentrated public works programme ever achieved by any one nation? This further lesson can be expressed in one sentence: the dominance of finance over economics has been overthrown. That dominance will never return, in that a concept such as a fixed gold parity will never be set up as the sole criterion of economic policy. But the baby must not be thrown out with the bathwater. The wider objective of international economic equilibrium for which the gold parity stood as a symbol cannot be disregarded. Some form of international monetary system is essential and any such system calls for discipline on the part of its adherents. The post-war system may ultimately involve a return to the free exchange markets which in the past achieved their task of clearing international payments with an efficiency and suppleness which no rigid bilateral clearing system could achieve.

But in the immediate post-war period, it seems almost certain that some measure of exchange control will be called for and that the operation of this control will make use of the technique of exchange clearing in which the wartime operations of the various currency blocs have provided much experience and led to many refinements. Whether the ultimate clearing of international payments is effected through a free market or through the reciprocal transactions of three or more currency blocs, some international standard of value and means of payment is essential. The national currency units must be expressed in terms of some uniform standard. That standard must in turn be related to the means chosen to pay uncleared balances of international indebtedness; and strong arguments support the claims of gold to fulfil these twin functions. The most important, if at the same time the most imponderable, of these arguments is the reverence in which gold is still held over the greater part of the world. That feeling goes back to the birth of civilisation. It cannot be killed in a day. At this moment, gold is quoted in the free market in Bombay and in all the black markets of the world at levels ranging to twice the official dollar and sterling prices. There is no country in the world where it is not acceptable.

The alternative to gold or to some international unit of account based on gold would be one or other of the existing currencies—inevitably the dollar, in the post-war economic set-up—as the standard of international values and payments. There might well be grave political objections to such an appointment. However dominant the dollar may become in the post-war currency world, and however complete may be the dependence of gold on the readiness of the United States to buy it at a fixed price in terms of dollars, there are solid reasons why gold should act as the cloak under the cover of which the strong currencies play their part. In a recent address to the Swiss Bankers' Association, Mr Per Jacobsson, the economist of the Bank for International Settlements, made this point with particular emphasis.

Before 1914 it was one of the great advantages of the international gold standard that it effectively ensured voluntary discipline in the monetary policy of the various countries without it being necessary for their sovereignty to be restricted.

After this war, there will be greater need than ever to dissociate the ideals of economic co-ordination among nations from those of political hegemony. Gold may serve a very useful purpose in solving that crucial problem.

In any case, the decision to use or abandon gold in the post-war monetary mechanism is one that will not be taken without reference to the immense vested interests affected. However unfortunate such an admission may be, it will be a political as well as an economic decision. These vested interests can very briefly be defined: the United States holds four-fifths of the world's stocks of gold; the British Empire controls three-fifths of its current production. It would be strange indeed if gold were found to occupy no place in the post-war currency system. But will gold continue to command its present currency price? There are strong arguments in theory for reducing the artificial price inducement which in a decade has raised the volume of annual gold production by 114 per cent, its value in terms of dollars by 182 per cent and its value in terms of sterling by 227 per cent. A monetary system must be attuned to the dynamic character of the economic system which it serves. In the gold standard of the past, the production of new gold introduced an element of dynamism, though admittedly crude and arbitrary. But with an annual output now equalling about 5 per cent of the accumulated money reserves, that dynamism may become a trifle too potent and wasteful. A good case can be made for restricting output, and this could most effectively be achieved by lowering the official dollar price as arbitrarily as it was raised ten years ago—with, perhaps, some compensation for the producing interests affected. This, too, is an issue which will be decided on political as well as economic grounds. Whether it would be politically feasible for the United States to accept the paper loss on its vast reserves of the metal—the greater part bought at the current price—or for South Africa to close down its marginal mines are crucial questions.

One aspect of the gold problem remains to be mentioned: that of the redistribution of the existing reserves. There is little chance of any kind of gold standard functioning as long as the existing maldistribution of the reserves exists; and there is no chance of its functioning at all as long as the forces which have made for this maldistribution continue to operate. The problem, in other words, is very largely dependent on the fiscal and foreign lending policies which the United States pursues after this war and on whether or not there are stable political conditions in Europe. If the tariff walls remain, if the United States return to financial isolation and if refugee capital resumes its flight from Europe, then, of course, the hope must be abandoned, not merely of seeing any return of gold to the monetary scene, but of any stable international regime. Even if the gold, or claims to it, were redistributed as free gifts by the United States, it would, in the established conditions, merely return to its Kentucky vaults. Such a prospect, however, seems too gloomy a view to take of human intelligence. It is surely permissible to hope that the end of the war will see the restoration of an international currency system, which may not indeed have the rigidity of fixed parities, but which will serve to maintain economic equilibrium between the nations. In such a system, gold must, assuredly, have a part to play. It may no longer be the arbiter of the volume of currency and credit and of the main objectives of economic policy. But it ceased to play that rôle at a much earlier date than most people imagine—certainly before the last war. As a unit of monetary measurement, as a store of value, and as a means of ultimate payment, it is, however, likely to retain its place in the monetary picture—a "relic of barbarism" perhaps, but one which the world is unlikely to outgrow in this or the next generation.

Winter in Germany—I.

The Test of Self-Sufficiency

DURING the first two and a half years of war, Germany's food rations remained virtually unchanged, in spite of two cereal harvests below the pre-war average. The experiment of agricultural self-sufficiency appeared to have justified itself. The diet of the German people was monotonous but sufficient. The third war harvest was even smaller than its two predecessors; but the cut which was made in the bread and meat ration last spring has been partially restored; and Goering has assured the Germans that the conquered Russian provinces will soon fill any gaps, while any temporary deficiencies will be made good by reducing the consumption of the occupied countries, particularly France, Holland and Denmark.

Actually, in spite of past achievements and Goering's fair promises now, the Russian war has undone German hopes. It has lasted too long; and at the moment it is the Russians, not the Germans, who are advancing. The test of the policy of agricultural self-sufficiency started as soon as Germany's huge war stocks of cereals, fats and meat had been used up, which happened last winter. In normal conditions, Europe is virtually self-sufficient in bread grain; but its deficiencies in feeding-stuffs, oil seeds and fats were always considerable—even when adequate supplies of labour, draught animals, machinery and fertilisers were available, which is very far from being the case now. Roughly 50 per cent of the total consumption of fats was imported from overseas.

Before the war, the process of organising the Balkan countries as a supply centre had been largely accomplished. Vast stocks of food had been accumulated to carry Germany through the war on moderate rations—if harvests were good, and new land could be conquered. The first stage of the struggle for self-sufficiency was already ended. No overall increase in Germany's total farm output had been achieved; but a significant shift had taken place in the kinds of produce grown. The acreage under rye had been reduced to permit an increase in wheat cultivation. Land had been diverted from barley and oats to potatoes, sugar beet, and oil seeds. Although the use of fertilisers had been increased by about 50 per cent, the yield of cereals per hectare had not been raised above the level of 1911-13; but, significantly, there was a considerable increase in the yield of potatoes and sugar beet. The trend of policy was plain. Imports of high quality foodstuffs were reduced to a minimum, while the output of bread grain, potatoes, sugar beet, and vegetables, that is to say the output of staple foods, was either maintained or increased, at exorbitant costs compared with the costs of agricultural production overseas.

No great changes were necessary when the war began. The programme was already fixed, and the cultivation and deliveries of every farm were strictly controlled. Polish prisoners of war and Polish civilian workers replaced a great part of the mobilised peasants; but the supply of fertilisers, particularly phosphates, was reduced, many draught animals were mobilised and fuel for tractors and other farm equipment severely rationed. After the collapse of France, the war stocks and surplus production of Holland and Denmark were requisitioned, which was sufficient, together with Germany's own stocks, to make up for the inevitable wartime reductions in output—and the unexpectedly bad harvest of 1940.

An ambitious plan to make use of the new lands conquered was set on foot. Western European countries were required to make the same changes in cultivation that Germany had made between 1933 and 1939. The number of their livestock was reduced; and the cultivation of cereals, sugar beet and oil seeds was extended. It was intended to concentrate livestock breeding in south-eastern Europe to remove the difficulty of transporting feeding stuffs across the continent.

The plan was ruined by Russia. If Russia had

collapsed like France, it might have solved Germany's food problems. But the war went on. Manpower was sucked away from the farms. The winter was severe. The real trial of the self-sufficiency policy had come. The surplus production of south-east Europe, much reduced during 1940 and 1941 by the disturbances caused by territorial changes, came virtually to an end with the mobilisation of Slovakia, Hungary and Roumania for the eastern struggle. War, followed by guerilla fighting in Yugoslavia and Greece, wrecked agriculture. Finland became a liability, and German and Danish foodstuffs had to be shipped there. The plan to live on the rest of Europe was broken; and it was plain that Germany would have to subsist largely on its own current production. Aid could not be gained from the occupied and satellite countries by increasing output, but only by reducing their consumption nearer still to the level of sheer starvation, which was already too near to offer any appreciable margin. First Poland, and then other countries, notably Greece, Norway and Belgium, and especially the occupied provinces of Russia, were made to starve; and, even in Germany, bread and meat rations were temporarily reduced last spring. The roughly six million or so prisoners of war and foreign workers in Germany are condemned to near famine conditions.

Can Germany even maintain its own output of foodstuffs? All available reports show that agricultural production has steadily declined in western Europe as well as in the south-east. No single country has reported an output at all comparable with the average for 1936-39. Now that the last overseas supplies from French North Africa have been cut off, Germany is more than ever dependent on its home production. Germany's policy is still that begun in 1933. To stimulate production, prices have been raised for almost all agricultural products, this time by means of bonuses paid directly by the State or out of an equalisation fund. Secondly, the large peasant population has been still more severely rationed. Finally, lower quality foodstuffs, such as potatoes and turnips, form a still higher proportion of German diet. This year's production plan demands an extension in the cultivation of potatoes, oilseeds and vegetables. The output of cereals, milk and pigs is to be maintained at last year's level. Already, the whole of the wheat, rye and barley harvests is needed simply to maintain the present bread ration. The number of pigs and cattle will inevitably have to be reduced still further in the coming year. Since 1939-40, there has been no increase in the numbers of agricultural machines and tractors available. Machinery and tractors have been pooled in the villages. Significantly, in view of Nazi promises to the peasants, the large estates with a sufficient supply of machinery are extending their holdings, while small peasant owners were frequently compelled to sell their plots—until an attempt was made to stop this by banning transfers. Nevertheless, the peasants whom Hitler promised to keep prosperous are driven in ever greater numbers from the land. The war has accelerated the flight from the land. A clear indication that the policy of self-sufficiency, which has already doubled agricultural costs, can neither feed the population nor sustain peasant agriculture is given by current discussions in the German press, which speak of the underpaid state of agriculture and demand that sales receipts should be increased again by a third.

The last hope of maintaining present German rations is the restoration of agricultural activities in the occupied Russian provinces. It may be assumed that some degree of cultivation has been restored in the former Baltic states. The central Russian provinces used to produce considerable surpluses of industrial crops, but were dependent on food supplies from other parts of Russia. Hopes are therefore based on the Ukraine. But

it is doubtful whether any substantial supplies have yet reached Germany. It is possible that German troops have been supplied with stocks found in the Ukraine; but there is no evidence that agricultural activities have been resumed on any considerable scale. The horse-drawn plough and the scythe cannot replace 87,000 tractors and 29,000 harvesters; at the start of the war, Germany

had only 67,000 tractors for all purposes. The inexorable fact is that Germany must produce the bulk of its food-stuffs from German soil, and the outlook is by no means bright. Even if the whole of Europe can be reduced to absolute starvation level in Germany's interests, the German food situation is bound to grow steadily worse as the war goes on.

NOTES OF THE WEEK

The Russian Offensive

The Soviet High Command is garnering the first fruits of the successful defence of Stalingrad; and the *Wehrmacht* is beginning to pay the penalty for its failure to widen the Stalingrad wedge. The two thrusts of the Red Army, in the north-west and in the south-west, have carried the struggle back to the points used by the Germans as the bases for the investment of Stalingrad. Names of places, familiar during the summer campaign, have come back into the news; and this alone is a measure of the Russian success. The northern thrust has so far been the stronger; it has reached far westwards in the Kletskaya region. The southern thrust has reached the Kotelnikovo region. In the centre, Kalach, the key-point for communications, has been taken by the Russians. If the Red Army succeeds in strengthening its hold on Kalach and in closing the narrow gap between Kalach and Surovikhino, then the first objective of the campaign will be reached. The besiegers of Stalingrad will themselves be besieged; and the whole German force inside the Stalingrad wedge will find itself in deadly peril. Already, the siege of Stalingrad seems to have been breached from the north, where the attackers are reported to have joined hands with the city's defenders. This success has come at a moment which might otherwise have been critical for the defence of Stalingrad, when ice floes on the Volga make the ferrying of supplies to the town almost impossible; and this has undoubtedly been one of the major motives in the timing of the present operations. Should the Kotelnikovo thrust in the south assume an impetus similar to that shown by the attack from the north, the whole operation may develop into a broad pincer movement which would make the whole German position in the south extremely precarious. The ground would then be prepared for a more ambitious drive to recapture the northern Caucasus—and, perhaps, the Donetz Basin, too. This, in fact, seems to be Marshal Timoshenko's further objective. The analogy with last year's recapture of Rostov is obvious. But there have been many portents which augur greater success this year. The concentration of manpower and weapons on the Russian side seems to be very strong; and the deterioration in the morale of the German and Roumanian soldiers has been reflected in the high number of prisoners taken, a completely new feature in the eastern campaign.

The Empire: A Side Line?

Lord Cranborne's departure from the Colonial Office to take up the onerous duties of Lord Privy Seal, without Cabinet rank, and Leader of the House of Lords invites questions. Why, for instance, is it possible for Mr Eden to lead the House of Commons with one hand and direct the Foreign Office with the other when Lord Cranborne apparently finds the leadership of the House of Lords a whole-time job? Is it because the Colonial Office is to be given a new and added importance? This would be a gratifying explanation; but it is not perhaps borne out by the substitution of Mr Oliver Stanley for Lord Cranborne—or by the absence of a promise of far-reaching colonial policy in the King's Speech. It may, of course, be that Lord Cranborne is in transit—perhaps to India, where a new Viceroy is already needed and will soon be due. Speculation on these matters is not very profitable; but one thing is certain. There have been too many Colonial Secretaries in recent years and too little colonial policy. It is the habit nowadays to use the Colonial Office, like the Board of Education, as a convenient seat in the perpetual game of musical chairs, which has been so outstandingly the characteristic of "National" Governments, especially in wartime. Yet, both the Colonial Office and the Board of Education will be chief

testing grounds of the Government's good intentions in the matter of reconstruction; and if the political chiefs, good, bad, and indifferent, are continually going out as soon as they come in, the scope for making the bold, broad new programmes required is obviously much restricted. As Colonial Secretary, Mr Stanley may win the spurs for which he has been so frequently recommended, but which he has still to gain; but neither his appointment nor its occasion invite undue optimism.

Full Employment

Almost any day now, Sir William Beveridge's report on social security, which has received more advance publicity perhaps than any other publication in recent history—its advance notices have been couched in very similar terms to those of a "super" Hollywood production—will appear. A week ago, Sir William Beveridge, addressing the Fabian Society, said something about the essential background against which his proposals will have to be set. No plans for social security will be of any avail if economic security is absent. Rightly, Sir William said that the maintenance of employment after the war is the most important and the most difficult of the problems of reconstruction. Rightly, too, he said that it is an assurance that the Government has effective plans for maintaining employment after the war that those now engaged on war service are, above all, looking for. A series of articles in *The Economist* in October discussed ways and means of ensuring full employment in peacetime conditions by state policy and direction; and a number of letters printed on page 662 carry the discussion further. Sir William Beveridge himself did not enter into the question of ways and means; but he made three important points. First, the methods of the last peace—private enterprise without national planning—cannot be relied upon to solve the problems of demobilisation and remobilisation, any more than they would have been adequate to organise the war effort itself. Secondly, if a plan is to be pursued by which the state will undertake the responsibility of maintaining investment at the level needed to support full employment, new kinds of civil servants and new civil service methods will be required. Thirdly, and most important, the use of planning brings with it, more than ever before, the need for measures to ensure adaptability, to ensure the fluidity of resources and the absence of barriers to the transfer of men and plant from one type of work to another. The indispensable virtue of private enterprise in the past was that it provided this adaptability and therefore secured immense progress.

This is the real challenge to planning, the problem of combining a new measure of security for every citizen with at least the old degree of adaptability and efficiency in the use of productive resources. *Laissez-faire* has long been abandoned because of the insecurity it brought with it; planning will fail disastrously if it cannot achieve the same flexibility in the use of resources as was achieved, more empirically, under *laissez-faire*. Oddly, Sir William Beveridge welcomed the National Policy for Industry recently signed by 120 business leaders. It is true that his welcome was only given to the "serious and patriotic spirit" in which the signatories are considering the post-war period. But it is very doubtful whether any system of rule by corporations, by which economic policy and industrial conditions are determined by the industrial interests themselves, can possibly give the adaptability and flexibility which are needed. Not unnaturally, full employment means to the

industrialist—whatever professions may be made to the contrary and however honest these professions may be—the maintenance of the numbers on his particular pay roll at their present level, which is the absolute negation of efficiency and progress and another way of defining industrial stagnation. Full employment, properly conceived, means more than the crude concept of as many people as possible at work. It is more than a quantitative problem. The quality of the work is all-important, and by quality must be meant productivity. Either full employment means the maximum use of all the nation's resources in the most productive work, or it is a cloak for the most uneconomic policies imaginable.

Extremely Critical

The course of the fighting in North Africa promises well; but nothing can yet be taken for granted. The Battle of Egypt and the success of the Moroccan and Algerian landings are now past history. The future of Allied strategy and the duration of the war depend immediately and critically on the progress made in the east by the Eighth Army and in the west by the First Army. In the last week, the speed of advance, at least of General Alexander's force, has slowed down. News from Tunisia is fragmentary and inconclusive; but it indicates plainly that none of the advancing Allied columns has as yet joined battle with the bulk of the Axis troops. All the evidence suggests that the Germans intend the decisive action for the future of North Africa to be fought in Tunisia rather than on the Libyan-Tripolitanian frontier. Reinforcements and supplies have certainly reached the Axis via Tunis and Bizerta, while the air evacuation of units of Rommel's Libyan force is still proceeding. It is clear that, on both the African fronts, the Germans, for the last week, have been fighting only delaying actions. Whether or not Rommel is to make a stand at El Agheila is, at the time of writing, still undecided; but it seems improbable that, if he does so, it can be a major action. Supplies and troops from Rommel's force are known to have already proceeded westward. The situation in Tunis is very considerably affected by the spirited assistance given to the Allies by numerous French units. Axis propaganda discusses the alleged strengthening of the Tunisian bridgehead, especially in the air, with great confidence; and there is no doubt that a very determined attempt will be made to hold the First Army and to outrun the Eighth until the Germans can dig in.

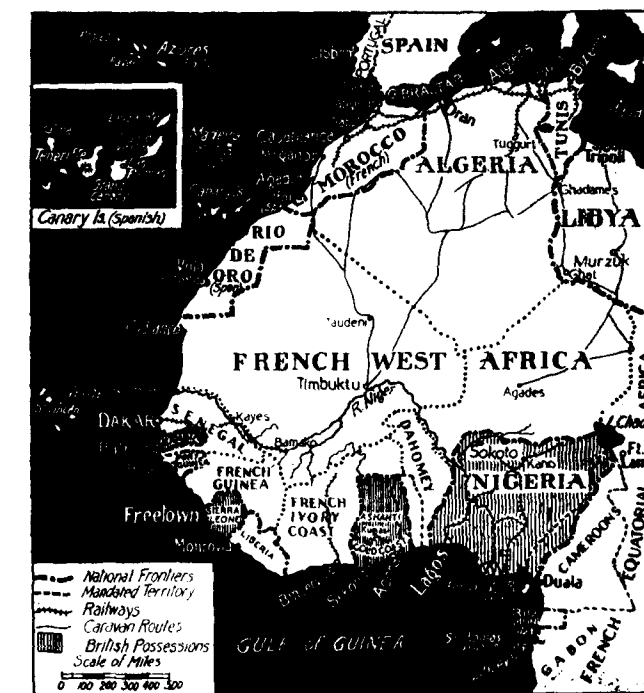
Darlan at Work

The first measures taken by Darlan in his new capacity as High Commissioner for French North Africa have been followed with the keenest interest; and all those who dispute about the *affaire Darlan* will find food for thought in the short but crowded record of the High Commissioner's activities. The decisive steps leading to the effective inclusion of the whole of French Africa in the war effort of the United Nations have been made. The adherence of French West Africa to Admiral Darlan, not (as has too often been said) to the Allies, has been secured. The defenders of the deal with Darlan can reasonably point to this as a major success "in saving lives and time." The reply will be no less reasonably, that French West Africa was already effectively neutralised by events further north; it was virtually won even without Darlan—Allied control over North Africa had cut off West Africa from France anyhow, and its Governor-General, M. Boisson, had to make the best of a position in which he actually had no choice. Meanwhile, in North Africa itself, Darlan has been hard at work. Some of the measures he has taken can only be welcomed. Five classes of reservists have been called up in Algeria. Morocco has been divided into three zones; and each will come under special war-time regulations. A special trade department has been set up to deal with economic adjustment. Algerian Jews have been called up for service, which legally implies their re-acquisition of French citizenship. But, in spite of all this, Darlan's policy is still wrapped in ambiguity. The release of the de Gaullist prisoners, for instance, has been consented to in the form of an "amnesty"; and the Fighting French have voiced their protest against the use of this form of "rehabilitation," which is normally used in the case of proved criminals. The release of 900 members of the International Brigade has been announced as a measure taken, not by Darlan, but by the Americans; the French administration is apparently not anxious to take the credit.

Darlan's decrees carry always the same formula—"In virtue of the powers conferred upon us by the Marshal..." "In the name of the Marshal of France, head of the French state..." Nor has ambiguity been absent from those of Darlan's utterances which bear upon foreign policy. The address to the Sultan, on the occasion of the fifth anniversary of his accession to the throne, was significant. Darlan spoke of "France; Morocco and the United States, the nations which have a chivalrous idea of honour and have always respected a given word." The Sultan's reply was worded more broadly and it carried a reference to the "United Nations," a term which, like the name of Britain, Darlan has so far been careful to avoid.

French West Africa

The bloodless surrender of Dakar represents a significant credit item in the African balance sheet. Up to the last, M. Boisson had vehemently declared that Dakar would never be another Madagascar and would resist Anglo-



American encroachment. The fact that not only Dakar, but the whole of the African bulge, is now closed to the Axis represents an important gain. The strategic importance of Dakar can be gauged from a glance at the map. It is the nearest African point to South America, being less than 2,000 miles from Brazil. U-boats have recently intensified their activities in the Central Atlantic and the enemy is now deprived of possible opportunities for fuelling along the West African coast. The military and economic poten-

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tial of French West Africa is considerable. Dakar has a first-class harbour—the third largest in the French empire and next in importance to Marseilles and Le Havre—and a good airfield; the French West African army numbers about 100,000 men; parts of the vast hinterland are rich in natural resources. Politically, the implications of this event are the same as those raised in North Africa. The problem is somewhat sharpened, however, by the fact that French West Africa has a common frontier with French Equatorial Africa, which was one of the first colonial territories to declare for General de Gaulle and is under Fighting French administration.

Delaying Action

In the Commons on Wednesday, Mrs Tate's amendment to the Address, calling for equal compensation for men and women for war injuries, was defeated; but it was morally a defeat for the Government. Almost every speaker opposed the present policy of discrimination; and 95 votes, the most yet cast against the present administration, supported the amendment, against the faithful 229 who supported the Government. There were many abstentions. The Government's case is that equal compensation is not possible without equal pay; while pay is unequal between men and women, it is argued, equal compensation would mean either disproportionately high benefits for women or disproportionately low benefits for men. Mr Attlee, who put forward this distinctly disingenuous plea—for all its plausibility as it stands—did not suggest that his heart was in it; and his announcement that a Select Committee would be set up to look into these frightening complications made no impression on the Government's critics. Actually, the Government's line of argument was both unfair and unconvincing. Mrs Tate deliberately confined her case to the question of compensation. So the Government, simply to win the debate, switched at once to the issue of pay, saying that the two are inseparable. If they are inseparable, then Mrs Tate and her supporters must broaden their front. On balance, the women of this country are being treated as shabbily as they are doing well; and if equal compensation, which is common sense, is impossible without equal pay, which is common justice, the two must be granted together. And to set up a Select Committee, which can serve no purpose but to state (or disguise) the obvious, is sheer procrastination.

The Defence of Australia

Mr Curtin has taken a courageous step in proposing that the restriction on using the Australian Militia outside Australia should be relaxed to the extent of enabling it to be sent to the territories in the south-west Pacific. To people in this country, such a step, when Japan is already in the Pacific islands which constitute Australia's outer ring of defence, seems belated and obvious. But conscription for service outside the Commonwealth is as serious an issue to the Australian Labour Party as it is under similar circumstances for French Canadians; and it is probably fear of splitting his party, as it was split in the last war, that prevents Mr Curtin from going the whole hog and removing the restriction altogether. As it is, if his proposal is implemented, the Militia and the AIF will be regarded as an indivisible force for service in the Solomons, Timor, Netherlands Indies and New Zealand—Papua and New Guinea, being under Australian jurisdiction, are presumably not affected by the restriction. What is strange is that Mr Curtin should have chosen this particular time to make his proposal. That he should have announced it first to a Federal conference of the Labour Party, before obtaining the support of his Cabinet and before announcing it to Parliament, can also be explained by his desire to preserve the unity of his party, whose majority in Parliament is precarious enough. But the result is that the Federal conference decided that it should be referred to the party executives in the states, which should then instruct their delegates to a special Federal conference. This special conference will be held on January 4th, and not, presumably, until after then can the necessary measure be passed in Parliament. By that time, the situation in the Pacific may well have completely altered—for good or for bad. In the meantime, the Opposition, which favours the complete removal of the restriction, may be tempted to force the issue when Parliament reassembles on December 10th. Mr Curtin's courage is to be warmly applauded; but it might

have been better for his own Government's position, as well as for the defence of Australia, if he had mustered it as soon as the campaign in the south-west Pacific became of major importance in the war.

The Controllers

In a pamphlet on the Raw Material Controls, published by the Fabian Society (Tract No. 257, 4d.) Mr G. D. N. Worswick flatly asserts that the work of the controls has been done badly and that the main reason for this is the fact that the majority of the controllers have been selected from the industries they control. While *The Economist* has often criticised this principle of selection, on the grounds that it was too much to expect a business man always to make an unbiased decision when a conflict arises between his lifelong interests and the communal interest, Mr Worswick's attack upon the controllers would have carried more weight if it were supported by a more adequate basis of fact. Self-interest may occasionally have carried the day in the decisions of the controllers, but to say that, as a whole, they have failed to deliver the goods, and that a change must be made if the war is not to be prolonged indefinitely and if the risk of defeat is to be avoided, goes much too far. When Mr Worswick draws attention to the danger of maintaining the raw material controls in their present form after the war, he is on surer ground; the present set-up undoubtedly strengthens the existing tendency to monopoly and the fear that the people "will find that the big monopolies and combines are firmly entrenched within the Government machine itself" is far from groundless. If control of the supply and distribution of raw materials is to be maintained after the war, care will need to be taken to prevent the restriction of output and resistance to the introduction of new materials. In Mr Worswick's view, the solution would be to entrust the provision of materials to a separate Government department and to organise the individual controls to include groups of related materials. The heads of the controls should have no financial interest in the materials under their charge; they should be employed on a terminable contract, and the use of the machinery of trade organisations as controls should be abolished. These principles are sound and might with advantage have been adopted long ago. The real danger after the war is a repetition of the experience of the inter-war years, when high-cost producers often successfully resisted technical change and a redistribution of the centres of low-cost production. The problem is not confined to this country; it is an international one; and its solution can best be found by international collaboration designed to increase the flow of cheap materials to present and prospective centres of consumption.

Indecision

Neither the two-day debate in the House of Lords nor Sir Stafford Cripps' speech in the House of Commons last week has thrown any new light on the Government's intentions in regard to planning—beyond indicating that legislation of some sort may be expected in the course of the session. Both the Minister of Works and Planning and the Lord Chancellor denied the charge of procrastination, and pointed out that the Scott and Uthwatt reports had only been in the hands of the Government since September. This, of course, is true; but the Barlow report which, as the Archbishop of York pertinently reminded the House, can be regarded as complementary to the Scott and Uthwatt reports, was published as long ago as December, 1939; and the issues involved are at least a generation old. Lord Portal announced that the Government intended to accept two of the Uthwatt Committee's recommendations—first, that control of development must cover the whole country, and, secondly, that in war-damaged and reconstruction areas, the planning authority should be given power to purchase the areas as a whole. But no Government spokesman has touched upon the fundamental question of the central planning authority. Speaker after speaker in the Lords' debate, whatever their political complexion and whatever their particular interests, expressed their disappointment at the failure to come to a decision. The Lord Chancellor sat on the fence in his own inimitable fashion: the Minister of Works was equally evasive, perhaps because he is himself not clear where he and his department stand.

Three Years She Grew

The war savings campaign has completed its third year, and the war savings committee has celebrated the birthday by the presentation of a host of statistics designed to show that "a lovelier flower" could not have been devised. Some of these statistics are discussed in an Investment Note on page 675. From the wider viewpoint of national economic policy, it is clear that the statistics are almost meaningless. The committee apparently ignores the fact that, even if inflation were rampant, which it certainly is not, would people try to turn all their money into goods at whatever cost. Thus, even the improvement in the quality of saving during this third year may mean nothing more than that "small" savers are receiving bigger earnings. It is true, of course, that owing to the efforts of the savings committees, these additional earnings are not all spent; but it may be argued that the physical restrictions on consumption are an equally effective deterrent. What the amount of savers and savings does not mean is that people have reduced their expenditure *pro tanto* below their pre-war expenditure. It is this absolute cut in expenditure which must be secured, and is being secured, by a number of means—taxation, post-war credits, rationing, actual shortages as well as by saving, which to most people is, in effect, merely the automatic financial result of being physically unable to spend. It is impossible to be certain that if the savings campaign were dropped overnight, the effect on the national economy would amount to much more than longer queues, more crowded cinemas and an even bigger increase in the note circulation. Thus, the national savings committee might seriously consider dropping its expensive advertising of stout commandos and guerillas—which must be very irritating to the real fighters—and simply emphasise that the purchase of savings certificates is a highly profitable investment.

Algerian Food Exports

German propagandists, echoed by their Déats and Doriots, shed crocodile tears over France, which has been deprived of the North African food supplies by "Anglo-Saxon greediness." The spokesman of the German Foreign office quoted a recent article in *The Economist*, in which the significance of North Africa in economic warfare was discussed, to substantiate his "thesis." The following figures of Algerian food exports to France were published by *Le Temps* on October 17th-18th. The table gives a comparison between exports in 1938 and in 1941:—

	1938	1941
Grain (quintals)	968,000	1,780,000
Dates	113,000	207,000
Figs	74,000	55,000
Citrus fruit	590,000	720,000
Vegetables and fruit	600,000	1,136,000
Wines (hectolitres)	16,400,000	5,850,000
Horses and mules	15,000	29,000

The only exports showing a decrease are wines and figs. The increase in all the other items amounts, as in the case of vegetables and fruit, almost to doubling. Yet, with only about half of last years imports, France fed its population plentifully in 1938. In 1941, the imports were doubled, but the French population was reduced to starvation rations. The bulk of the North African food obviously went to Germany in addition to the supplies exacted from France itself. This is hardly a revelation to *The Economist's* readers. What perhaps makes the point interesting is that the proof for the assertion questioned by the spokesman of the German Foreign Office is provided by an authoritative Vichy source—only a few days before the operations in North Africa started.

Shorter Notes

The Papuan campaign appears to be reaching its final phase. Despite the bringing up of some reinforcements, at the cost of the loss of a destroyer and close on twenty planes, the Japanese have been unable to stabilise their precarious hold on the Buna-Gona coastal strip. Their elimina-

tion would represent a great triumph not only for the fighting men, but also for the administrative and supply personnel of General MacArthur's command.

The Church Assembly concluded last week its debate on the National Society's interim report on the dual system, discussed in *The Economist* of October 31st (page 538). The motion to accept the proposals contained in it was amended to include also a statement welcoming the Archbishop's assurance that paragraphs 7 and 8 of the report were to be read, not as the ideal method of arranging a religious education, but as terms which the Church would be wise to accept if the Government offered them. The amended motion was thereupon carried, the voting being as follows:—

	For	Against
Bishops	17	6
Clergy	88	62
Laity	64	24

After ten years of estrangement, Mexico, deathplace of Trotsky in the summer of 1940, and Soviet Russia are to renew diplomatic relations.

By a regrettable editorial error, it was stated in a note called "The Trade in Thrift," which appeared in *The Economist* last week (page 629), that the number of paying industrial assurance policies was £90 millions. From the context, it should have been quite clear to readers that this should have read 90 millions.

The following table gives the number of civilian casualties in air raids since September, 1939:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940	1,494	1,980	3,474
Sept.-Dec., 1940	22,282	28,522	50,804
Total, 1941	20,863	21,839	42,702
1942:—			
January	114	59	173
February	24	20	44
March	21	13	34
April	987	1,046	2,033
May	399	426	825
June	293	358	651
July	411	871	1,282
August	403	509	912
September	207	238	445
October	229	370	599
Totals to date	47,727	56,251	103,978

Of those killed in October, 80 were men, 94 were women and 55 were children under sixteen.

Women are to be admitted to membership of the Amalgamated Engineering Union from January 1st.

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Letters to the Editor

Full Employment

THREE recent articles in *The Economist* on October 3rd, 10th and 17th discussed the ways and means of ensuring full employment for all those who are willing to work. It was argued, in some detail, that mass unemployment can be prevented if the community's annual Investment (by private enterprise and, to the extent that private investment falls short of the desired level, by the state) can be made (a) large enough year by year to take up the total of annual Savings and (b) regular from year to year. Three letters are printed below which represent reasonably well the several views expressed in the many comments which have been received. *The Economist* would never claim that its reasoning in this novel field of political economy and applied statistics can claim anything like finality. If the articles have, as one correspondent put it, "enabled the discussion to be carried a stage further," they have done their work; and nothing has yet been said to upset the validity of their general thesis.

TO THE EDITOR OF THE ECONOMIST.

Sir,—The following comments are offered on the three thoughtful articles published in *The Economist* on "Full Employment":

1. Importance of the Problem.

The first article was written largely under the influence of Professor Hansen's "Fiscal Policy and the Business Cycle." American problems are not altogether English problems, or, indeed, European problems. "If liberal democracy is not compatible with full employment then it is liberal democracy that will go." It would be impossible to overestimate the importance of the solution of the problem of economic stability. Yet it might be asked whether its solution by itself would, in the Old World and especially in Britain, be sufficient for social and political stability confronted as we are with powerful new forces in the world.

Here we have a country grown old as an industrial country, densely populated and most probably at the end of the war a debtor country, faced with the necessity of restoring its export trade in order to maintain the standard of life now sustained, in a certain sense, by the Lend-Lease arrangement.

In America, on the contrary, we have a vast continent, self-supporting except for some raw materials and perhaps for some luxuries which, though pleasurable, are by no means essential; a continent not only vast, but blessed with the richest natural resources, except perhaps Russia; a continent which is relatively unpopulated, where, therefore, the marginal productivity of the individual is still sustained by the relative scarcity of man as against resources. In these circumstances, it is only to be expected that the whole of the attention of the economist there is focused on the main anomaly of the existing economic system—the periodic recurrence of unemployment, threatening to become a permanent feature of this potentially vastly rich body: thus not merely reducing total real income, but reducing it with an unequal incidence, making some people completely destitute.

The emphasis in England should be rather different. The unemployment problem has been less acute, and the growing poverty of natural resources is becoming serious, as is instanced by the present crisis in the coal industry, an industry which has been the basis of our whole economic development. In this country, I submit, attention should be given not only to whether resources are employed, but also to how they are employed. Professor Hansen, together with other American economists and most English economists, have as yet refrained from investigating more closely the working of the actual, in contrast to an ideal, economic system under individualistic capitalism. Professor Hansen, in a book of over 450 closely printed pages, has not a word to say about imperfect competition or monopoly. It is assumed by him that what expenditure private consumers and entrepreneurs themselves decide upon is well decided upon and spent in the most economical fashion.

Nothing would be false than to accept this picture, which completely excludes the most burning problem of

modern economics, the economics of corporation and quasi-monopoly. These tendencies are found not only where there are trade associations and some sort of quota allocations, not only in fields in which large-scale competitive advertisement dominates the field, establishing small separate markets for each firm, but indeed in those other fields which the layman and most economists are inclined to regard as typical of free competition—the field of retail trade, for instance, where tacit agreements, dire experience of the results of price-cutting and special human relations between customer and salesman prevent free competition from becoming effective.* The myth of production being extended until the point where profit disappears does not bear examination. Yet Professor Hansen and the writer in *The Economist* both accept, at least implicitly, the myth for a true picture.

2. Causes of Unemployment.

The articles deal essentially with the problem of the business cycle. It is suggested that there is a substantial agreement on the causes, as well as the cure, of business cycles. I am afraid I cannot share this view. *The Economist* articles suggest that business cycles occur because of a temporary breakdown of investment. In my view, the breakdown should be regarded rather as a structural phenomenon which makes itself felt periodically. Employment is dependent on consumption and investment. Wealthy communities suffer from an habitual tendency to over-saving. As capital intensity grows, the rate of interest must decline. Lord Keynes has shown that the rate of interest cannot, for technical reasons, continue to decline below a certain point under individualistic capitalism. Hence this trend will, from time to time, evoke a breakdown in the investment process. During this breakdown, investment activity cannot be stimulated by the indirect method of decreasing the rates of interest, on account of increased risk. Entrepreneurs in general will only invest if the prospective profit is far greater than the rate of interest on riskless financial investment, e.g., State Bonds. It is the tendency to over-saving at a given rate of interest, and the temporary breakdown of the investment process thus produced, which brings forth cycles, suggesting a periodic but temporary cause.

3. Cure for Unemployment.

Unemployment can be cured by stimulating either consumption or investment. Which procedure would be more "natural" depends entirely upon whether we are satisfied with the existing distribution of the national income. The state can change the distribution of income by taxation, and is already proceeding to a large extent to do so. If we accept as a duty of the state to procure a certain distribution of national income, that is to say, to ensure basic decent conditions for each member of the community, then, as the country gets richer, the basic minimum will increase and part of the tendency to over-saving will thereby be eliminated. Redistribution of income through "social security" (family allowances, more adequate old age pensions, provision for the unemployed, sick and disabled) would both increase consumption and provide opportunities for investment in supplying the needs which would be satisfied from the additional social security incomes.

Investment can be increased either by stimulating private investment or by direct investment by the state. It is suggested in the first *Economist* article that stimulus to investment is to be preferred to stimulus to consumption because:—

- (i) It can be applied or withheld as the situation demands;
- (ii) It has a greater impact-effect on the economic system than stimulus to consumption;
- (iii) Whilst investment can be stimulated indirectly, stimulus to consumption can be undertaken only by the state itself;
- (iv) Finally, a stimulus to investment is said to be more "natural" than stimulus to consumption as it "responds" to the "individual acts of choice."

The Economist prefers stimulus to private investment through various kinds of subsidies, increasing depreciation

* Mr Balogh does not presumably intend to imply that these and kindred activities have not been a main staple of critical comment in *The Economist* for nearly 100 years.

allowances for tax purposes, provision of cheap capital or guarantees of loans. This is all on the assumption that a minimum of interference with private enterprise and the existing distribution of income is desirable.

On the one hand, *The Economist* demands that the state should not enter competitive enterprise, since "subsidised" competition would "eliminate" private initiative in that field. On the other hand, it insists that non-productive state investment will endanger economic stability in the long run

as it is essential that as much as possible of the community savings should be invested in forms that will give tangible and material dividend in the future.

The writer appears to fear monetary disorders if the state, by "non-economic" investment, absorbs savings without securing any economic return with which to pay interest on the loans issued to carry out the investment, and therefore has to increase taxation. He seems to regard the increase in the national debt, not as the obvious counter-item to the increase in national collective investment, which increases the real income of the community, but as something specifically monetary. There is no earthly reason (provided appropriate direct controls are introduced and provided the state does not try to provide hyper-employment instead of full employment) why there should be an increase or decrease in the value of money in consequence of the state deficit, any more than if the state stimulates private investment. It is fundamentally only a question of economic expediency whether commodities or services supplied by the state should be financed by "commercial" sales (e.g., postage stamps) or by taxation (e.g., roads or the police).

In so far as state investment is admitted at all, it is to be regarded only as a balancing element. What are the implications of this view? It implies that, once the war is over, "effective" demand should take precedence over any consciously planned reconstruction. The duty of the state is to be restricted to providing such balancing demand as would give full employment and nothing more. The underlying assumption is that the distribution of effective demand at the end of the war will wholly coincide with the long run interests of the community as a whole. It suggests that British reconstruction is to pay no attention to priorities to be determined by common agreement, but to permit the haphazard distribution of wealth and income (especially of wealth) to exhaust the productive capacity of the country. Even the least financially minded must recognise that the productive powers of the state are not unlimited; that therefore a certain choice will have to be made as to what the community can "afford" after the war is over. Are we to proceed in future, especially in the dangerous post-war period, merely on the basis of the desires of those individuals who can make their desires effective? Are we to build palaces before restoring decent housing conditions? Are we to import luxuries when it will be, on any hypothesis, rather difficult to provide for necessities for the community as a whole? If at the end of the war "effective" demand would originate from the desires of approximately equally well-endowed individuals, the assumptions underlying the analysis of the three essays might well be granted. However far-reaching changes in economic and capital distribution have taken place during the war, surely this basic hypothesis is far from being true. It should be the state which determines the basic effective demand, i.e., plans reconstruction and provides expenditure to ensure decent basic conditions for the population as a whole, with the luxuries being the balancing factor, in the sense that, if those basic conditions are established, the margin should be permitted to be used freely, by those who can afford it, for obtaining luxury, colour and amusement.

4. Definition of Full Employment.

One of the articles explains that full employment "does not mean the total disappearance of the unemployed." It means the disappearance of cyclical unemployment. A certain amount of what one might call "transitional" unemployment is imperative "for the elasticity of the national economy" but, with this phrase, the author glides over the most important of all dilemmas with which the modern economist is faced, the dilemma between political and economic liberty. At the moment, full employment can be said to occur when acute shortages arise in the supply, not even of certain kinds of skilled labour, but of any kind of productive capacity. Once the bottleneck stage in the business cycle is reached, the stage is set for the cumulative

process ending in a boom and crash. If, therefore, "normal peacetime activity" is to be resumed after the war, and if we wish to avoid the recurrence of vast business cycles, we shall have to make up our minds to face a very considerable "transitional involuntary unemployment," estimated at between 10 per cent and 15 per cent of the economic system.

Economists have not yet realised the full scope of the problems to which a policy of full employment would give rise. Before the war, labour mobility and labour efficiency as well as monetary equilibrium were entirely provided by the threat of destitution through unemployment (even if the unemployed received some dole). As soon as employment began to be anywhere near "full," the bargaining power of trade unions increased and discipline in the shops relaxed. This state of affairs was, to say the least, unwelcome to most employers, and this undoubtedly resulted in their disinclination to embark on further investments, which automatically brought the cumulative upward movement to an end.

Full employment necessitates a change in the position and attitude of both entrepreneurs and trade union leaders. *The Economist* realises the implications of this change in regard to entrepreneurs, when it suggests that a policy of full employment necessitates the control over physical investment, or, in other words, that the elimination of risks of cyclical character necessitates the imposition of artificial restraints, in order to prevent a runaway upward spiral originating from the side of the entrepreneurs, i.e., speculation in commodities, speculation on the Stock Exchange, speculative investment. But it completely balks at dealing with the labour side in the same context. The minimum unemployment necessary to retain some elasticity in the economic system, and so to permit the smooth adaptation necessitated by economic progress, will be intimately connected with and depend upon the social and economic system which is established. If we are to rely on the present individualistic system, where the movement of productive factors is enforced by variation of income, and in the case of labour loss of income and destitution, then, indeed, the scale of unemployment necessary will be quite considerable. If, on the other hand, an economic system is established in which some measure of planning and direct control is retained, then the unemployment necessary for elasticity will be very much lower. It must be emphatically stated, however, that such a system will have to rely for discipline not on the fear of the poor of destitution, but on their sense of responsibility and co-operation with the managements.

The workers will, unless a new social equilibrium is reached, insist on using their bargaining power, increased by the state of nearly full employment, to extort as many concessions as possible. As long as there is no reality in National Unity, full employment will inevitably result in a wage inflation. On the other hand, it is obvious that the sense of justice and the political tendency both demand an equalisation of incomes. Unless some constructive solution is found, we shall see a tendency towards depression in the economic system. Capitalists will not venture their capital. This will call for a high rate of state investment and be complicated by "confidence" crises. This process must lead either to the establishment of a Fascist regime where the bargaining power of the workers is eliminated by terror or to such gradual encroachment of the state on private enterprise as would limit the scope of private initiative even in fields where it could be well maintained.

5. Flexibility in Working Hours.

There is no need, however, to assume that, after the war, full employment in any true sense of the word entails such far-reaching regimentation, especially over manpower, as has evolved in Russia, Germany, and lately even in this country. In a war economy, the aim is maximum striking force at whatever cost compatible with the maintenance in the long run of efficiency and morale. At peace, however, the leisure and ease of the population is, within certain limits, one of the main aims of economic policy. The more successfully we achieve this aim, the more there is in reserve for any temporary spurt required by economic emergencies on the part of people working in bottle-necks. This could constitute the reserve (i.e., flexibility) necessary to remove those bottle-necks. If the working day is reduced to an average of six to seven hours a day, then it would be easy to increase production without grave discomfort in certain occupations to eight or nine hours, i.e., by anything between 10 per cent and 30 per cent. Such increase in productivity should be

ample, especially if the control of investment and the plan underlying that control has not been at fault, to provide that elasticity which we require.—Yours sincerely,
T. BALOGH.
Balliol College, Oxford.

[Mr Balogh, whose letter is a notable contribution to the thinking-out of these crucial problems, would no doubt admit that a good deal of his criticism carries the subject into a province which *The Economist*, for its part, did not attempt to enter. Indeed, it is the gravamen of his charge that the policy outlined by *The Economist* was intended, modestly but with some realism, to fit the economic circumstances of this country as they are likely to be when the war is over. Admittedly, the course and details of the argument might be drastically altered by the hypothesis of very sudden and very sweeping social and political changes. But whatever the desirability or otherwise of such changes may be, this is another question.—EDITOR.]

TO THE EDITOR OF THE ECONOMIST

SIR,—In your article on Full Employment, on October 17th, you advance the argument that investment carried out by the state entails a danger of inflation, while private investment does not, because state investment is likely to be accompanied by an increase in the quantity of money. This argument appears to be based on a confusion.

Investment expenditure of any kind increases the demand for consumption goods, for incomes earned in producing investment goods are free to be spent on consumption goods. Too much investment will involve an excess of demand for consumption goods over the available supply at current prices, and so tend to drive up prices. The problem of avoiding inflation is the problem of maintaining the right amount of investment, and has nothing to do with the question of whether the state or private concerns own the investment goods produced.

The question of the quantity of money is connected with the rate of interest. An increase in the level of money income, due to an increase in productive activity, raises the demand for money, so that, if the quantity of money is not increased, the rate of interest will be forced up. If the authorities desire to see both full employment and a steady rate of interest, they must increase the quantity of money, no matter who is undertaking the investment.

The distinction between public and private investment has no relevance whatever to these problems. The importance of the distinction lies in the fact, which you point out, that public investment must involve a gradual extension of socialism. So long as you stick to the argument that socialism is a bad thing, your case is perfectly clear and ingenious, but sophistical excursions into monetary theory do not strengthen your position.—Yours, etc.,
3 Trumpington Street, Cambridge. JOAN ROBINSON.

TO THE EDITOR OF THE ECONOMIST

SIR,—You say in your articles on Full Employment that the danger of causing economic strife abroad by a policy aimed at maintaining full employment at home can and should be avoided. I am not convinced.

You admit that exchange control and control of imports will be necessary for the controlled investment policy you advocate to work; and that this policy is not compatible with the free and automatic working of the international exchanges. This I agree with, and I think it is terribly dangerous to embark with open eyes on a path which you yourself confess may lead, as it always has done in the past, to competitive economic nationalism, competitive restriction, and so on. I do not believe that the risk is worth while.

Can I draw your attention (probably unnecessarily) to what other liberal journalists have said about your scheme? The City Editor of the *News Chronicle* says that you are "willing to pay the price of unemployment in other countries in order to abolish it here," and adds, in my view correctly, that "full employment for a single country is too narrow an objective." And a writer in *The Observer* says that "what has always stood in the way of full employment in the past has been the fear of a large deficit in the balance of payments; and if full employment is achieved by stimulating industries that take the place of exports, the result is to cause unemployment abroad, which must sooner or later react on one's own export industries." I agree with these arguments.

I am not very much more impressed by the way in which you brush aside the other dangers of the planning of investment that you suggest: the danger that everything

and everybody, employment, prices, wages, etc., will have to be controlled and regimented down to the last detail; and the danger of inflation. I think your articles are very important, and, in theory, very able and logical. But I do not believe it will work.—Yours faithfully,
Salford.

J. JOHNSON.

[It was admitted in *The Economist* articles that the policy proposed for full employment carried with it distinct dangers—that of making the state totalitarian, of debauching the value of money, of causing economic strife abroad or creating stagnation at home. But it was argued that the certainty of political chaos if a bold effort is not made to cure chronic unemployment after the war more than justifies the taking of these risks. They must be taken; and, in *The Economist's* view, there is no practical reason why, given goodwill, skill, knowledge, democratic methods and international co-operation, all the risks should not be overcome. Neither in practice nor in theory is there anything in a full employment policy which contravenes the need for a large, expanding volume of international trade or which stands in the way of the international division of labour. The stress put by Mr Johnson and others on the international implications is, of course, very sound, if only because it emphasises the fact, which was not perhaps brought out distinctly enough in the articles, that the solution is to proceed by international co-operation, by the pursuit of full employment by planned investment in each country according to a concerted programme agreed among the nations, and with the minimum of impediments to the flow of goods and capital from country to country.—EDITOR.]

Two Nations

TO THE EDITOR OF THE ECONOMIST

SIR,—In your comments under the heading "Two Nations" in the issue of *The Economist* on October 31st, the following statement is made:—

The social surveyor of a hundred years hence who reads of such statements as Lord Wardington's—that a rich man today has no penny left after paying his taxes and commitments to buy a crust of bread—and then studies Lord Wardington's household accounts will be perplexed.

The inference drawn from this incorrect and incomplete quotation of my recent remarks in the House of Lords gives such an entirely erroneous impression of the whole tenor of my argument, that I feel sure you will welcome the opportunity of revising your criticism. The actual words I used were:—

These so-called rich, after paying these liabilities from which they cannot escape, will not have a penny of free income left with which to buy a crust of bread.

—and I went on to say that the so-called rich were now compelled to spend their capital—where such was available—in payment for any of their personal needs. I made it clear that I used apparently exaggerated language on purpose, in order to bring home to the general public, who were ignorant of these facts, what the actual position was. That what I stated was the absolute truth any professional person dealing with these matters can testify, and I am which *The Economist* possesses should have thrown doubt on the truth of my statement. It was evident, I think, that I was not talking of my own position, and it was equally clear that I entered no plea for pity for those who were left with no free income with which to meet their personal requirements, but who had, nevertheless, acquiesced in this deprivation for the purposes of the war without a murmur. My whole object was to let the plain truth be known, and in this I feel confident I shall have the sympathy and support of *The Economist*.—Yours faithfully,
16, St. James's Street, S.W. 1.

WARDINGTON.

[Lord Wardington has defined "these liabilities from which they cannot escape," very roughly, as "income-tax and surtax (including Schedule A on property which not only brings in no return but involves large payments in life policy premiums within the limits of one-sixth of income; jointures and family allowances; War Damage contributions; charitable subscriptions, payable annually, though not under deeds of covenant; and pensions to estate and other servants."—EDITOR.]

AMERICAN SURVEY

The End of Isolation

(From our Special Correspondent in the United States)

THE chief message Mr Wendell Willkie brought back to the American people from his world tour was that they are not alone.

I say to you, there are no distant points in the world any longer . . . our thinking and planning in the future must be global . . . America must play an active, constructive part in freeing the world and keeping its peace.

His discovery that

myriad millions of human beings of the Far East are as close to us as Los Angeles is to New York by the fastest railroad trains

has reinforced the growing American feeling that the maps Mercator drew for their schoolrooms with the two wide comforting stretches of water to east and west are somehow out of date. New maps are circulating—they can be found in the studies of college presidents, pinned up on high-school walls, displayed at party conventions—provided by the courtesy of *Time* and *Life*. They show a new projection centred on the North Pole. Japan on one side, Norway on the other, point Axis pistols at the heart of the United States, at the Great Lakes and Detroit. There is no more water but a solid land mass stretching, with the little interruption of the Behring Straits, from Narvik to Florida. Mr Willkie's intensely dramatic world flight has thrown a searchlight of publicity on the new maps. A sort of Copernican revolution is going on in men's minds.

For Americans, the end of isolation, not simply as a logical argument but as a fact of experience, means the end of one of America's most widely accepted patterns of thought. Isolationism is not only dying on the Atlantic and Pacific coasts where the Axis sinkings or the geographical proximity of Pearl Harbour and the Aleutians hammer America's accessibility home. It is dying too in the heart of America, in the flat lands between the Alleghenies to the Rockies where all modifications in American policy have finally to be sanctioned. Groups of solid farmers, meeting, say, in Iowa to discuss their country's future policy, now take it for granted that there must be a world order in which the United States must play a part. The Veterans, who until a few years back were a solid core of isolationism, met at Kansas City this September to pass a resolution in favour of United States leadership of "some international association of nations for world peace." A recent public opinion poll put the proposition

if, after the war, a union of nations that would try to solve world problems were formed, do you think it would be a good idea or a bad idea for the United States to join it?

The result was that 72 per cent considered it a good idea. These are more than straws in the wind. They mark a profound change in the outlook of the people.

This does not mean that no pockets of isolationism remain. There have been signs of it among the Armed Forces, where one school of thought has been pressing for the concentration of all American production on the equipping of a vast American army which "in 1945" would win the war singlehanded and determine the peace, unencumbered by Allies. This type of thinking appears, however, to have been scotched. There are also dangerous centres of isolationism in the political world. It is doubtful if many of the out-and-out isolationist politicians in the Republican Party have changed their spots; and by a sleight of hand unequalled in recent political history, they have managed to transfer the odium of having impeded the war effort from their own pre-Pearl Harbour obstructionism to the Administration's struggles and difficulties in mobilising a partly unwilling democracy into a total war economy. The slogan "not pre-Pearl Harbour isolationists, but pre-Pearl Harbour bunglers" has caught on. The recent election is proof of this.

But the "Willkie Republicans," the New Guard of the Party, which include such young and able men as Governor

Stassen of Minnesota and are backed by the powerful chain of Luce publications, have definitely repudiated isolationism; and they have a chance of stampeding the old-timers by their sheer ability to collect votes.

United Nations?

The problem before the American people now is to substitute a new world picture for their waning isolationism. The future position of the United States in the world is recognised almost everywhere to be an issue of immediate urgency. There is a great deal of talk about "armed might" and "moral leadership" and "sense of responsibility." The United States is going to play a leading part, all are agreed. But how? In what framework? In alliance with which other states? In what type of international organisation? There have been such discussions before, of course. The important point about the present phase of American thinking is that it is taking place in something of a vacuum. The new patterns and pictures that are emerging may become as influential as the old sense of isolationism. Such great debates are not settled only by rational points and logical arguments. Isolationism was not an argument so much as a state of mind. The Americans are acquiring a new state of mind. They are *feeling* as much as arguing their way towards it. At such times, emotional stimuli, imaginative factors, subconscious conditionings are fully as important as straight arguments. A search is going on partly for a new type of international policy which, according to balanced and rational criteria, can be relied upon to maintain world peace, but equally for an association in which the American people will feel comfortable. This is perhaps the reason why machinery and institutions figure less in popular discussion than the virtues and defects of the states with which the joint machinery will have to be worked out. This fact is not necessarily discouraging. No amount of world machinery, however excellent, will make up for the will to co-operate, if that will is lacking. The only guarantee that a consistent line in American foreign policy can be maintained through successive administrations will be a deep-seated, almost subconscious desire among the people to co-operate with other nations.

It is too early to say whether decisive new moods have emerged. The persistent attempt to "sell" Latin America to the United States has had certain superficial effects; for example, the "Copacabana" influence on girls' evening clothes and the monotonous popularity of the rumba. But the larger issues of linking up the destinies of the western hemisphere seem either to be taken for granted or left out of account. The question is not generally considered to be a serious problem. Another factor is the tendency to sheer off the problem of Europe. This is not because the solution of Europe's problems is taken for granted. It is because it is all felt to be too difficult. Some people even go so far as to say "Europe is finished. It has neither the vitality nor the resources to play a part in the great world of the future." The mood is partly traditional: Europe is the place a great many Americans came away from. It is partly impatient: Europe is the place in which world wars all start. It is partly disappointed: the collapse of France and the moral bankruptcy of the Vichy regime have weakened one of America's closest emotional links with the Continent. It is partly bewildered: is there any solution to the German problem? The net effect of the mood is to push American thinking away from Europe and small nation states and frontier problems to broader horizons, larger issues and to what Mr Willkie calls "global thinking."

Here China and Russia admirably fit the picture. Both of them are vast. Both of them have fired people's imagination by taking the brunt of the fight against the two great aggressors. Both have had popular revolutions. Both belong

to the "exploited" East, not the exploiting West. Both are believed to have tremendous futures. With China, there are of course extremely few prejudices to break down. The sympathy of America towards the Chinese people is traditional and instinctive. Russia is in a different category. The Russian system has aroused fierce and hysterical animosity. The resistance of the Russian people has silenced the critics and the popularity of Russia is growing steadily. China and Russia are creating their own *mythus*, which is of nations, forward looking, teeming, headed towards adventurous new horizons, grounded in the popular will. The picture is appealing, for when the Americans think of their own country, they think of it as young, forward-looking and grounded in the popular will. As Mr Wallace said of Russia and America: "Both peoples know that their future is greater than their past." Or as Mr Willkie put it:

Men and women of Russia and China . . . are conscious now of their potential strength. They are coming to know that many of the decisions about the future of the world lie in their hands. . . . They would like the United States to be one of their partners in this grand adventure. They want us to join them in creating a new society, global in scope. . . .

Mr Wallace and Mr Willkie are politically poles apart; but they are the nearest to "myth-makers" the American people have to listen to today. It is significant that they are both creating the same image—that of a world coalition of United Nations, dedicated to the extirpation of imperialism everywhere, and broadly based upon the work, hopes and aspirations of millions and millions of the "common people."

Anglo-American Relations

How does Britain fit into this picture? It must be admitted, badly. Although Anglo-American collaboration has gone further to co-ordinate the nations' two war efforts and two economies than ever previously in the history of any international alliance; although a multitude of genuinely international agencies—the Combined Boards, the Combined Chief of Staffs Committees—all function with a remarkable measure of unity; although the military forces of the British Commonwealth and the United States are carrying on the process of "getting mixed up together" all over the globe—there is little trace of any growing enthusiasm here for Anglo-American collaboration for the future of world order. It does not stir peoples' enthusiasm very much. It is not operating at the level of imagination and emotion. No myths are being formed. Since the Battle of Britain, which brought a wave of enthusiasm for a time, a new picture has been growing in people's minds. Happily it is still vague, it can still be dispersed, but it is undoubtedly there, at the back of people's minds, or in the under layers of their subconscious. It is of Anglo-American collaboration as a veiled attempt to perpetuate the supremacy of the white race, to maintain imperialism, to defeat the subject nations' passionate desire for freedom. It is of Britain as an old Empire, learning nothing, abandoning nothing except under the pressure of military defeat. It is of the British Government as a Tory Government committed to the old order. It is of a straight issue between imperialism and freedom, servitude and independence, peoples' governments and aristocracies—with Britain always on the wrong side.

The trend must not be exaggerated. The picture is most emphatically not the only view of Britain. The British people have their devoted friends—even their fanatical champions. In spite of all the carping and criticism, it is still certain that most Americans feel a sense of kinship with the British and it is possibly true that most of the criticism springs from the feeling that someone within the family is letting the side down. But in the shadowy indeterminate world of emotion and imagination, it would be untrue to suppose that Britain is making a good showing. India, incredibly simplified as an issue between light and darkness, is universally discussed. Singapore, Malaya, Burma

are still symbols of Imperial decadence. There is real danger that the United Nations may come to suggest to people's minds an alliance of China, Russia and the United States for the purpose of liquidating—with the highest motives—the British Empire. The celebrated letter in *Life* is not important for its inaccuracy and discourtesy. It is important as a sudden bubbling up from the subconscious of the editors of a group of publications whose influence is nationwide and whose views in part coincide with the myth-makers, Mr Willkie and Mr Wallace. One day one of the editors must have slammed his hand on his desk and said, "These British . . ." and the letter was the result. If it had been a more considered and intelligent document it would have told the British a good deal less about some underground currents in American opinion. In the form it appeared it represented a "myth" in its raw, primitive state.

American Diplomacy

[BY A CORRESPONDENT]

M. BOISSON has joined the Admiral, who, in the name of the Marshal, announces himself to be the mandatory, the voice and the representative of France in Africa. "It is only the temporary that lasts." American opinion thinks the deal well worth the low price in casualties. Diplomacy, it is argued, has victories much cheaper than war.

This is an American policy. The basic issue is involved in the necessities of American foreign policy; it is the necessary character of American diplomacy and diplomatic methods that makes the acceptance of Darlan natural. The makers of the American constitution broke the conduct of American foreign policy into two parts: negotiation (which is the President's business) and ratification (which is the Senate's business). The limitations that the constitution—and, still more, the dominant political interpretation of the constitution—impose on the directors of American foreign policy are tremendous. Behind the President and the State Department lies Congress, and, behind Congress, a public opinion conditioned over generations to regard foreign policy as a kind of luxury and diplomacy as a kind of poker game in which simple American tenderfoot players are for ever being robbed of their shirts by European card-sharpers. The tradition of American foreign policy, from the executive side, therefore, is a tradition of careful manoeuvring. Every action has strings to it, every undertaking the unexpressed condition "if Congress agrees." As the United States has become more powerful, materially, it has become less willing to use its power. A new expedition of Commodore Perry is out of the question; so is the "big stick" which Theodore Roosevelt wielded to make the Caribbean safe for the National City Bank, or the combination of oratory and force that Wilson used to impose democratic government on Mexico and the republics of Central America. The "good neighbour" policy ended all that. The State Department does not look too closely into the political title-deeds of the rulers of Cuba or Brazil. It is content with the acceptance of a common minimum policy of diplomatic and military co-operation. Ever since the days of John Hay, the State Department has had to work for successes to be gained simply by dint of negotiation and dexterity—and for successes that the American people would regard as successes.

It is against this background that State Department policy should be regarded. A great deal of attention is paid, and rightly, to the public speeches of President Roosevelt. But the skill with which he has given the impression to Europe that he can speak for his country as Mr Churchill can speak for Britain should not be allowed to hide the fact that he cannot. There are things that he can do by pure Presidential act, or as Commander-in-Chief, things that Congress cannot prevent or undo. But great, long-enduring political undertakings are not among them. So Mr Roosevelt naturally prefers to do the things he is certain he can do rather than to risk doing things that Congress might undo. The debt of the free world to Mr Roosevelt's tactical skill is so great that there is some danger of forgetting that it is tactical, that the grand strategy of peace is beyond his single power.

In this, Mr Roosevelt is simply in the position of his predecessors; and the State Department's primary utility is to enable the President to squeeze the last drop of

power out of his right to negotiate, to command the armed forces, to make temporary bargains. That is what it has been doing for Presidents for a century past. There is a tendency to think of American diplomacy as frank, rhetorical, popular; in fact, it is ingenious, technical and secretive. It recalls less the foreign policy of the Roman republic than the diplomacy of the Venetian Republic. The American people and British people underestimate both the skill needed to carry out a policy like this, and the tenacity, the competence and the conviction with which such policies have been carried out by the new professional diplomatic service of the United States in the last twenty years; and they pass over important and final decisions because their importance and finality is concealed from the vulgar eye by the admirable camouflage artists of the Foreign Service of the United States.

The decisions now being made in Africa may turn out to be of this kind. The favours of the United States, military and economic, cannot but have important political results; American arms, American food and American approval must speak volumes. Under the neo-Vichy flag of the *Etat Français* are now enrolled the most important fighting races of the French Empire, the Moroccans and the Senegalese, troops whose courage and fidelity to their commanders would have been the envy of an Italian *condottiere*. Under Darlan's control is the largest body of French citizens not controlled by Germany. There is in his hands one of the great French radio stations, a great French university, and an elaborate and skilled bureaucracy. All of this in a colonial country where public opinion, independent of the Government, has neither the means nor the tradition of self-expression. If this situation lasts a year, whatever may be thought in Washington, in a spirit of professional pride that borders on *l'égèreté*, France is provided with the material means of a Vichy restoration.

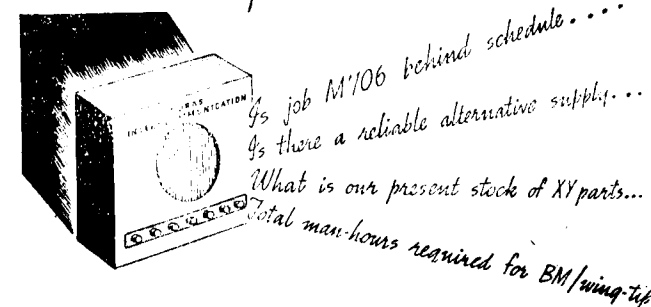
American Notes

Relief and Rehabilitation

President Roosevelt's appointment of Governor Lehman of New York to direct American relief in countries reoccupied by the United Nations has been followed by a broader assurance that the rehabilitation of Europe is an integral part of American policy. This is in accord with Governor Lehman's view that his task of rebuilding countries ravaged by the Axis extends "away beyond the end of the war." More is contemplated, therefore, than merely a sound stroke of political warfare which, beginning with Algeria and Morocco, would send relief ships in the train of the American Armed Forces and dramatically illustrate the difference between the Axis and the United Nations occupying authorities. The appointment followed almost immediately upon the publication of an article by ex-President Hoover, the American relief administrator of the last war, demanding that a plan be formulated at once to deal with the immense problem of feeding Europe's hungry millions after the war. But Governor Lehman's preliminary conversations with the representatives of the Allied governments, the Lend-Lease Administration, and the Board of Economic Warfare have been going forward for some time. Governor Lehman's record of humanitarian and conspicuously able administration in New York is proof that a better choice would have been difficult to find. He will be associated in his work with the State Department, a relationship which vastly increases the authority and influence of that department. Governor Lehman's task will be substantially greater than was that of Mr Hoover. He has called Mr Hoover's own estimates of 500 million hungry people "conservative." The terms of Governor Lehman's appointment provide for control over "American participation in United Nations relief activities"; but it is clear from the President's comments that the Administration realises that the United States must contribute a major share of the supplies of food, clothing and medical equipment that will be required. That this point of view is not unanimous is also clear. In defending his policy, President Roosevelt argued that he was not moved by humanitarianism alone, but by considerations of America's "pocketbook, America's own safety, and its future security from attack." There cannot be many who maintain an unrealistic disapproval of the United States "shelling out its food and goods and money"; but the last vestiges of this most unenlightened isolationism may make mischief.

Censorship at Home

President Roosevelt made out a good case last week for the censorship of news of operations in the Pacific; but an attack has now been launched on the censorship of cables of United Nations—particularly British—correspondents dealing with domestic issues. An article in the *Sunday Dispatch* from its New York correspondent alleges that foreign correspondents are prevented from presenting a true and full picture of American affairs; that they are not allowed to mention matters freely discussed in American newspapers; and that even quotations from American editorials are censored. These charges have provoked an immediate *tu quoque* from Mr Daniell, the correspondent of the *New York Times* in London, who complains that he was forced to moderate dispatches describing the reaction of the British public to the recognition of Darlan. Supposed censorship of American correspondents' cables from India was probably also in the mind of the *Times* leader writer who called the complaints mutual, and demanded a reconsideration of both British and American censorship policy, on the ground that mutual candour based on mutual tact would be helpful. What has not been made sufficiently clear are the premises upon which the American censorship—admittedly more severe than the British—operates. These include not only prohibitions based upon security considerations, but also the cabled transmittal of any information which is likely to furnish material for enemy propaganda. It is for this reason that taboos are placed upon such subjects as race tension and anti-negro feeling in the United States; strikes and delays in production; and expressions of American opinion which might offend British susceptibilities. There are no bars on discussions of these topics in the American press, but it is argued that, with control of outgoing newspapers and magazines, information reaches the Axis, if at all, too late to be of use. There is a case for American censorship policy; and mutual re-criminations which do not recognise the different premises upon which British and American policies are based are likely to provide more heat than light.



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THE WORLD OVERSEAS

French North Africa—II

THE political outlook of French North Africa has been determined by the differences in the extent of French penetration in its various regions. In Algeria, French rule has lasted a hundred and ten years; the Protectorate over Tunisia was established sixty years ago, and that over Morocco thirty years ago. Algeria is a part of Metropolitan France, and here the policy of "assimilation," of which the French colonial administration has always been so proud, has brought the most spectacular results. In Morocco, the Lyautey tradition has been based on the principle of "indirect rule" and the assimilation of French customs and language has made only very slight progress. It should not be forgotten that assimilation has not necessarily entailed a higher degree of autonomy or of political equality for the natives than indirect rule on the British model. Although Algeria was, from the administrative viewpoint, part of Metropolitan France, and elected its own members to the French Chamber of Deputies, the bulk of its population had no right to vote. This was due to the fact that French citizenship was only granted to those Algerian inhabitants who accepted the Napoleonic Code; this would have entailed renouncing polygamy, to which orthodox Moslems would not agree. France, on the other hand, could not agree to waive the Napoleonic Code in a province which was an integral part of itself. Whatever the legal complexities of the problem, the contrast between the professed principle of assimilation and unenfranchisement was always a source of political resentment, exploited by the local Arab nationalists. "Indirect rule" in Morocco, whatever its much discussed merits and faults, has spared the French administration and the native population a similar dilemma.

The Arab movements in the three North African possessions are far from uniform. In Morocco, the disintegration of the old tribal régime is not far advanced. Arab resistance there, in the years of the Rif war until 1926, was, therefore, essentially conservative. It was directed against the penetration of the European influence, and it aimed at the preservation of the old, pre-feudal way of life. The compromise which followed the defeat of Abd-el-Krim has been an indubitable success. Marshal Lyautey's successors in the post of French Resident-General have been careful to respect all the symbols and idiosyncracies of the Sherifian Empire. The Resident-General is the Sultan's Foreign Minister, and the French administration is nominally subordinate to his imperial power. This does not prevent a well-informed traveller, A. H. Brodrick, in a recently published book on North Africa,* from stating that "the French administration is a complete autocracy more rigid than that of any modern Tsar of Russia. The people have few guaranteed civil rights nor any semblance of self-government." In spite of this, modern nationalist movements have gained little ground among the Arab population of Morocco, and it will probably be some time before the recent industrialisation of the Atlantic coastal region affects the political outlook.

* Oxford University Press, 98 pages, 3s. 6d. net.

Arab Nationalists

The picture is rather different in Algeria and Tunisia. There the penetration of European influence, particularly in the coastal provinces, has brought to the scene a politically ambitious native bourgeoisie and a native proletariat of unskilled workers. The two Arab nationalist parties, the Old and New Destour, have grown into a strong political factor in Tunisia. The influence of the Algerian nationalist tendencies seems to be weaker than that of the two Destours, but it is superior in political consciousness and organisation to its Moroccan counterpart. Its main slogan has been Arab unity and self-government and the extreme wings have asked for independence.

The most striking feature of North Africa, from the time of the armistice in 1940, was the political calm which prevailed. The Arab nationalist movements did not attempt to exploit France's troubles. During the whole dangerous period of the French defeat, no political disturbances have taken place in any of the French possessions. Not even the supporters of the Destours in Tunisia attempted to voice their claims more strongly than before, although they strongly resented being outlawed after the riots of 1938, and their underground organisations were still active. There are various reasons to account for this passivity. Fear of Italian rule prevailed over all other political considerations; the experience of the Arabs under Graziani in neighbouring Libya acted as a deterrent. And, although some Arab nationalists may have had German sympathies, the New Destour and the movements associated with it claimed allegiance to the principles of democracy. Under the Third Republic, they were in friendly contact with the French Left, and they hoped to obtain their political demands with the help of the democratic forces in France itself.

Another reason for the absence of trouble from the nationalists was the curious turn of German policy after the armistice. The Germans were confident that they had already secured *Eurafrica* for themselves and that they had no political interest in inciting the Arabs to revolt. Italian propaganda was also less violent than before; it had, in any case, little effect, for it was handicapped in Tunisia by the Arabs' dislike of the Italians, which is probably as strong as their dislike of the Jews. In both cases, there is a distinct social background to the antagonism: the Italian is the privileged skilled worker in Tunisia, whereas the unskilled worker is Arab; the Jews are prominent in money-lending, trade and the liberal professions. Vichy's policy vis-à-vis the Arabs was to buy off the discontented elements with some concessions which brought them little real benefit but appealed to the emotional side. The rule of the "strong hand" was made even stronger, and the powers of the prefects were increased; but, at the same time, the Arabs were called upon to co-operate in the *Révolution Nationale*. The *Légion des Combattants* recruited its members from Arab as well as French youth; in Tunisia, more than half of its rank and file consisted of Moslems. Simultaneously, the anti-Jewish legislation was extended to North Africa. A *numerus clausus* was established for Jews in some liberal professions—and they were barred altogether from others. The "Aryanisation" of trade was also in progress—although the process did not go very far.

Axis Propaganda Renewed

With the extension of the war to North Africa, German propaganda has resumed its old line. Axis radio stations once again call upon the Arabs to revolt, and promise the satisfaction of nationalist claims as a reward. In the military sphere the Axis is on the defensive, but it still tries to be on the offensive, at least outwardly and so far as the Arabs are concerned, in the sphere of political warfare.

British experience in this war has shown how difficult it is to gain successes in political warfare when failures and disappointments pile up on the battlefield. Now, the enemy is learning the same lesson. The problem of Arab nationalism in North Africa may, nevertheless, become urgent should the fighting in Tunisia develop into something of a protracted campaign. Even then, however, the United Nations would still have an advantage over the Axis in political warfare. Substantial economic relief will demonstrate to the native population the difference between the German-Italian policy of looting North Africa by way of Vichy and the policy of the United Nations. Another important asset on the Allied side is the great attractive power of Egypt throughout the western Maghreb. In all the three provinces, the nationalist movements have been under the spell of Egyptian independence, of Egyptian parliamentary institutions and so on. The key position for an Allied offensive in North African political warfare is, therefore, Cairo. But, apart from this, principle as well as expediency demands that the screw of the "complete autocracy more rigid than that of any modern Tsar of Russia" should be loosened. Will the French administration under Darlan be able to do this? The first step towards undoing the wrongs committed under the Vichy régime has been taken, and the anti-Jewish legislation has been abolished. Elementary justice dictated this measure. But the Jewish-Arab antagonism in North Africa, an antagonism which Axis propaganda is only too anxious to exploit, can be effectively mitigated only if due consideration is paid to the actual needs and justifiable demands of the Arab population.

Cabinet Changes in New Zealand

[FROM OUR CHRISTCHURCH CORRESPONDENT]

October 8th

A MINERS' strike in the Waikato coalfields and its settlement have led to the resignation of four National Party Ministers from the War Administration and to the breaking of a political truce of about three months' standing. A general election was due this year, but, after protracted negotiations and much public discussion, both parties in Parliament agreed to its postponement and to the formation of a War Administration, which included, besides the members of the War Cabinet, two extra Labour Ministers together with the Leader and three other members of the Opposition. There was already an Executive Cabinet of fourteen Labour Ministers, and the War Cabinet included three of these with the two most experienced Opposition members, Mr Coates and Mr Hamilton. Under the new arrangement there was a total of twenty Ministers, including Mr Nash, who is in the United States. The portfolios allotted to the new Ministers indicated some difficulty in defining their specific spheres of action, and some confusion and overlapping resulted. Now, the four Ministers who were the last appointed, after consulting the Opposition caucus, have resigned in protest against the Government's settlement of the coal strike; Mr Coates and Mr Hamilton, the two earlier Nationalist Ministers, retain their positions in the War Cabinet and have parted company with the official Opposition. The result is that the administrative organisation is as it was before the agreement, with the addition of two Labour Ministers. Since the break, the National Opposition is calling for the general election which it had previously agreed to postpone; the Prime Minister says that the Government is more preoccupied with the war; the Labour Party is accusing the ex-Ministers of going on strike in protest against a strike settlement; and most of the public are wearily indifferent.

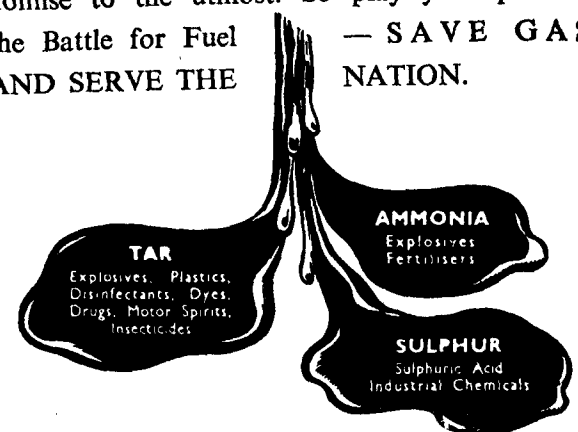
The strike, the latest of a series spread over several years, in most of which the Government has given way to the strikers, resulted from the refusal of employers to pay minimum wage rates to men who had deliberately reduced their output. The settlement included state control for the duration of the war over the mines affected and the suspension of sentences imposed by a magistrate on 180 miners charged with an offence under the regulations. The National Disputes Committee of seven members, including a chairman, three leading members of the United Mine Workers of New Zealand and three employers' representatives, found unanimously that the miners concerned, by their own action,

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had forfeited their rights under the agreement and were, therefore, not entitled to the minimum wage.

The incident provides an interesting reflection on political affairs in New Zealand, where there is now a Labour Government numerically strong, a weak Left Wing Labour group, a National Opposition, weak in both numbers and personnel, and a small Independent group of ex-Nationalists, including two whose ministerial experience exceeds that of any other member. The resultant situation is summed up in the *Christchurch Press* in the following passage:

It is a disturbing paradox that, in a country which is throwing its whole resources into a battle to preserve the democratic way of life, the prestige of democratic institutions has never stood lower. In the whole period of the war, Parliament has not once discussed publicly any of the problems which are occupying the attention of intelligent citizens. The record of its debates is for the most part a record of trivialities and obscure political manoeuvrings. In secret sessions, it has no doubt discussed matters of the gravest urgency. But by refusing to discuss in open session matters which have been publicly discussed by every other Parliament in the British Commonwealth, it has abdicated the most important function of a representative assembly, which is to interpret the government to the people and the people to the government.

Fuel Shortage in Switzerland

[FROM OUR GENEVA CORRESPONDENT]

November 1st

ONE of industry's main handicaps is the lack of coal. In normal years, Switzerland imported some 3,300,000 tons of coal a year, the peak having been reached in 1939 with 3,960,000 tons. This represents on the average about 275,000 tons a month. Coal imports were greatly reduced after the outbreak of war, and they were almost stopped after the invasion of Holland, Belgium and France. Germany, which was always the chief source of supply, reduced its exports to the utmost; but, after long negotiations and in exchange for certain Swiss products, it agreed to supply about 20,000 tons a month. These consignments at first arrived regularly, but they were later slowed down by transport difficulties—canals and the Rhine waterway were frozen in winter, and there was a shortage of rolling stock. Swiss railway engines and trucks were sent to fetch the coal, but later some mines were put out of action, and, since last spring, coal imports have been reduced to very little quantities indeed.

Meanwhile, great progress has been made in the development of Swiss coal production. There are some lignite deposits at Erlenbach, Kandergrund, Sonnenberg and Gotthalden, which altogether yield about 1,200 tons monthly; slate coal is raised at Hüsliwil and Mörschwil, with a monthly output of nearly 1,200 tons; and 13 anthracite mines are being worked in Canton Valais with a production of slightly over 4,000 tons a month. The Swiss output, however, does not exceed 130,000 tons a year, and as it is not a high grade coal, there is no possibility of making good the deficit resulting from the cessation of imports. Coal for industry has been rationed, which accounts, for

instance, for the fact that Swiss cement production, which was 700,000 tons in 1941, has been lowered to under 500,000 tons.

Rationing of coal for domestic use is even more drastic: the quantity allowed to individuals for cooking and heating during the coming winter is 25 per cent of normal consumption—a Swiss winter with only one-quarter of normal requirements scarcely bears contemplation. So many trees have been felled during the past three years that wood for heating purposes has also had to be rationed. On the other hand, electricity has been so much used as a substitute for coal, in industry as well as in the home, that the present production is insufficient—except in summer—for meeting all the nation's needs. Switzerland produces about 7,800,000 kwh. a year, but one-quarter is exported in accordance with pre-war agreements. Moreover, no big power plants have been built for the past ten years; the two under construction at Innerschönenberg (Bernese Oberland) and Geneva will soon be in part operation, but even when they are finished their yield will not make it possible to fill the gap. During the coming winter months, therefore, when the level of rivers and lakes is lower, the consumption of electricity will be reduced by 15 per cent. This is why the Government, in its ten-year plan involving an expenditure of 4,680 million francs, is contemplating the construction of several new big water-power plants, two of which—the Splügen and Andermatt plants, involving the creation of huge artificial lakes and the transfer of the inhabitants to other districts—are meeting with strong opposition from nature lovers and the population concerned. It cannot be foreseen who will win: sentimentality and aesthetics, or economic needs and industry.

Labour Unrest in Portugal

[FROM OUR LISBON CORRESPONDENT]

November 6th

UNDER Decree 32,352, published on November 3rd, employees of concerns filling public services come under military discipline and are held to have committed the crime of desertion in wartime if they abandon such services as are entrusted to them. Jurisdiction will be exercised by the Minister of War and by the Minister whose department may be affected by an announcement, made after a Cabinet meeting, by Dr Salazar, in which mention is made of recent incipient trouble among the Lisbon tramway workers, employees of the Anglo-Portuguese Telephone Company, and the shipyard workers of the Union Fabril and Parry and Sons, Limited. Stress is laid on the fact that wage questions were already under official consideration in the case of the first two concerns, while the shipyard workers, drawing high wages and overtime pay, had no justification whatever for their action, which was vaguely described as being based on solidarity. Criminal agitation by a limited number of men was designed to disturb established order; this the Government is ready to suppress, together with any other acts calculated to destroy social discipline and law and order.

Being general in their scope, these pronouncements cannot very well allude to the reasonable probability that in every instance Axis influence, working through agents provocateurs who are not necessarily of Axis nationality, is the prime source of trouble. Such agents stress the low wages, high cost of living and, most of all, the supposed wealth of British employers, gained, say these agents, at the expense of their Portuguese staffs. It may be remembered that early in the war propaganda of this nature was made openly by Germany, night after night, in Portuguese by radio. But it came to nothing; now more direct means are believed to be employed, unconsciously backed up by the undeniable rise in costs of living.

It will be noted that all the concerns named in the Government announcement embody in some form or other valuable British interests which have served Portugal for many years and for but moderate rewards. Their wages lists top the labour market, both collectively and where individual pay is concerned, and there has hitherto been keen competition for employment in them between labourers, technicians and office staffs. Of all these points the Portuguese Government is aware. It will certainly bear them in mind when dealing with what may easily become a dangerous situation unless the real agitators are sought out and scotched without delay.

Russia at War

Army Reforms

THE recent abolition of the post of the political commissar in the Red Army has now been followed up by another change, which is possibly less spectacular but not less significant. It consists in the elimination of the so-called "socialist competition" from army life. This system was basically the system which is still being applied in industry. Soldiers used to vie with each other in the carrying out of the commander's orders, and the winners in the "emulation" used to be awarded special prizes. The original idea behind "socialist competition" was perhaps to appeal to the soldier's ambition rather than to formal discipline. But the "emulation campaigns" soon became monotonous routine, as they frequently are in industry. And the drawback inherent in the method was that it tended to undermine formal discipline. It was liable to make the soldier's attitude to the military order somewhat lax.

Commanders of the Red Army (writes *Pravda*) who, after issuing an order, allow or, which is worse, themselves organise competition concerning the fulfilment of the order, are, whatever their intentions, weakening the force of the order as the rule of military operations.

An order is issued to be carried out. By its very nature it does not require that Red Army men or commanders should take upon themselves Socialist obligations. They are obliged to fulfil orders as part of their duty to their motherland.

There must be no mechanical transplanting into the units of the Red Army of the forms of Socialist Emulation in industry and collective farming. This sort of emulation is not required in our army and can even be harmful to it.

What is interesting in *Pravda's* statement, and perhaps novel, too, is the clear distinction between "Socialist obligation" and "duty to the motherland." It is this latter principle which ought to rule army life. The concept of the army as of the non-political force at the service of the entire nation has thus been rehabilitated by the leading official paper.

It is obvious that this change is a sequel to the disappearance of the political commissars. It is also in line with other developments such as the renaming of the best army units as Guards regiments and Guards divisions; the introduction of medals named after the traditional heroes of Russian history (Suvorov, Nevski); the restoration to the Cossacks of their old glamour; and so on. The regime is somewhat ostentatiously, but with unquestionable sincerity and consistency, reconciling itself to the pre-revolutionary traditions and symbols, as well as to the orthodox notions of army life and military discipline which go with them. Colonel Blimp may perhaps smile with some satisfaction at what he would regard as the rehabilitation of his Russian counterpart.

But Colonel Blimp would be wrong and his rejoicing would be premature. True, the symbols of the old tradition have reappeared and have been surrounded with much respect. But, parallel to this, another process—the radical rejuvenation of the Russian officers' corps—has been going on. Even before this war, the Russian officers' corps was probably the youngest in the world. But the war has opened promotion for still younger men; and promotions have assumed an extraordinary mass scale. About two weeks ago, not less than 60 officers were promoted to the ranks of Colonel-General, Lieutenant-General or Major-General by a single decree of the Council of the People's Commissars. Most of the new captains and majors are in their twenties; and many of the new colonels and generals are in their thirties. (General Rodimtsev, for instance, the defender of Stalingrad, is 36.) The Russian officers' corps has, in fact, been to a very large extent transformed during the last year. This has been due not only, and not even mainly, to the undoubtedly high rate of casualties; it has to a perhaps even higher degree been due to the introduction of a rational method of promotion. The commanding cadres have had to pass their test on the battlefield. Those who have failed have been removed; and those who have stood the test have been placed in the highest posts. No acquired rights and no considerations of the normal hierarchy have been allowed to interfere. The number of those who failed was probably not inconsiderable during the first stages of the war. The Russian officers' corps, it will be remembered, entered the war shortly after the purges, when the lack of skilled staff

officers was somewhat acute. Those who filled the posts of their purged predecessors were not always up to their tasks. But the hard experience of a year of war brought forward new commanders; and the gap left by the purges seems now to have been definitely filled.

The new tough generation of Russian officers, which has now come on the stage, differs in its outlook from the older generation in many ways. And it will probably not be wrong to attribute the recent changes in matters of military discipline and in the army outlook at large, to the influence of the young commanders. The officer of the older generation usually started his military career in the years of the civil war; and the memories of that period weighed upon his mind rather heavily. The new colonels and generals in their thirties are undoubtedly less inclined to allow their judgment to be directed by notions which are more than two decades old. Nor did they experience the fears and the depression of the period of purges. They draw their conclusions from their immediate experience on the battlefields, and they convey those conclusions to the Commissariat of Defence. So far, the main results have been the removal of the political commissars and the abolition of "Socialist emulation" in the army.

Moscow Coal Basin.—The coal mines of the Moscow Basin have, as *The Economist* has already reported, been restored from the destruction wrought during the early winter of 1941. In September, the output reached its pre-war volume, which was usually sufficient to cover the needs of civilians and, partly, industrial consumption in Moscow and the province. But the Coal Commissariat is not satisfied with this; and it has set a new programme of production for the Coal Basin.

The Moscow Coal Basin ought to supply with fuel the electric power stations, the railway lines and the industries of Central Russia, Moscow and of the Volga regions. The Moscow Basin must compensate these areas for the temporary loss of the Donetz Basin.

The new programme is thus very ambitious. To expand output according to plan, vast additions to the existing mining equipment and labour are needed. It has been announced that appropriate measures to meet the new needs have already been taken. New equipment has been allotted to the Basin, and new workers have been directed there. At the same time, the miners have been urged to put an end to stoppages which have been due to technical hitches; owing to stoppages, it is said, "almost half the time is wasted." The Party organisation of Tula has been called to account for the position in the mines:

Heated speeches on the importance of coal are made in Tula. Tula speaks with pride of the Moscow Coal Basin if things are going well there. But better than any words is concrete help to the Basin when it comes across difficulties.

Maikop Oil.—The Soviet press has published detailed reports on the scorching of the Maikop oilfields before they came under German occupation. *Red Star* writes:

After the capture of Maikop the oilfields continued to burn for days and the fires spread to the surrounding forests. When German technicians arrived they found it impossible to discover the sites of the wells owing to the thoroughness of the destruction.

The German attempt to restart the exploitation of the oilfields has been hampered by lack of the machinery which was evacuated in good time and by lack of electrical power. The entire Maikop district was left without electricity because its huge power station, too, has been evacuated. The oil refinery at Krasnodar was blown up "at the moment when the Germans were entering the town." The oil workers have also left the district; and guerilla squads comprising Maikop's oil experts have been interfering with such German attempts to restore the wells as have been made. Throughout the district, German terror, calculated to frighten the oilworkers into surrender by repressive measures taken against their families, has been raging. In the villages, gallows, with the inscription "for sabotage of the oilfields" have been erected. The German assertion that the Maikop wells have started working has been denied by Soviet correspondents, who claim that not "a single drop of Soviet oil" has gone to the invader.

Britain Can Feed Herself

By G. P. POLLITT

"Colonel Pollitt has written a challenging book—and he supports his challenge with strong facts. His ideas are essentially peace-time planning. They form the best post-war policy for British agriculture I have yet seen."—*Daily Express*.

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THE BUSINESS WORLD

Betterment

THE Uthwatt Committee, whose report was discussed in *The Economist* on September 19th, was asked to draw up proposals for removing the obstacles and anomalies in the present system of land ownership which stand in the way of an imaginative policy of reconstruction and development by the Government and by private enterprise. In the view of the Committee, the path can be cleared by the fulfilment of three conditions. First, the powers of the Government to acquire land against fair compensation need to be strengthened, and land thus acquired should be leased, and not sold, for development; the underlying principle of this recommendation is the gradual nationalisation by state purchase of land required for planned development. Secondly, the development rights in non-built-up areas should be purchased by the Government on principles analogous to those applied to the nationalisation of coal-mining royalties; when individual pieces of non-built-up land become ripe for development they would be purchased by the state against fair compensation and leased, and since the rent fixed by the Government would take account of the increase in the value of the land up to the date of first development, betterment would automatically accrue to the community. Thirdly, in order to obtain for the community part of the increment in the value of built-up areas, where development rights are not to be bought by the state, the Committee recommended the imposition of a tax on increases in annual site values.

These three conditions are interrelated. Short of outright nationalisation, they represent the minimum that is necessary for effective planning and development after the war. Unfortunately, there are signs that the three proposals may be torn apart. During the debate on the future use of land in the House of Lords on November 18th, Lord Portal did admit the need for the compulsory acquisition of war damaged and other reconstruction areas. The proposals for state acquisition of development rights in non-built-up areas and for the disposal of land passing into public ownership by way of lease rather than sale are being "carefully considered." But it seems that the Committee's plan for a levy on increases in annual site values in built-up areas may actually be shelved—on the grounds that it is controversial and technical—and could not be introduced during the war. Admittedly, the scheme for securing for the community a share of the betterment in built-up areas is technical. It is complicated, and its detailed implications have not yet

been fully worked out. This is the more reason why the principle it represents, which is politically and economically necessary for effective planning, should be officially approved forthwith, leaving the details, which are at present confusing the issue, to be worked out later.

The principle of recovering betterment due to central or local Government action is not new. It has been recognised and embodied in many Statutes. As the Uthwatt Committee shows in a lucid survey of past legislation, an attempt to recover betterment by a direct charge on the persons enjoying it was made nearly 300 years ago in the reign of King Charles II. The most recent legislation in which the principle has been recognised are the Town Planning Acts. Thus the Act of 1932 provides that the planning authority may claim 75 per cent of the increase in the value of any property—within or without the area of a planning scheme—that arises from the operation of any provision in the scheme or from works carried out under the scheme. In practice, the provisions of the Town Planning Acts have remained ineffective. In only three cases has betterment been collected in cash under the Acts of 1909 and 1925, and none has yet been recovered under the Act of 1932. In the view of the Committee, the reason why the collection of betterment has been impossible in practice is the difficulty (a) of proving in individual cases that betterment arose from the operation of a particular provision in a planning scheme or from the execution of a particular works under the scheme, and (b) of calculating the extent to which the rise in value is due to one or both of those factors. In other words, the difficulty of collecting betterment lies in the practical application of the provisions of the Town Planning Acts.

Since all previous attempts to collect betterment due to the action of central and local governments have failed because of the difficulty of segregating the causes of rises in values, the Uthwatt Committee has proposed that the knot should be cut by the extension of the principle to all cases of betterment, except, of course, where the betterment is due to the owner's own expenditure. The principle proposed is that of securing for the community a share of all community-created increases in land values. Once this extension of the principle of betterment is accepted, the only test of the Uthwatt plan is its practicability. It may be argued, admittedly, that a tax on betterment irrespective of its cause amounts to discrimination between investments in land and investments in other forms of property, and that, moreover, it does not provide compensation for loss. The objection is not altogether unjustified. But the major objective is to create the conditions for effective planning and development by the Government and by private enterprise. Set against the wider interests of the community, this objection to the new principle, which also underlies the proposal for the state acquisition of development rights in non-built-up areas, loses much of its force.

In outline, the method proposed by the Committee for collecting betterment in built-up areas is simple. Instead of a levy on increases in capital value, the Committee has proposed a periodic tax on increases in annual site values, which, in one sense, would operate like EPT in skimming off increases in incomes from sites over a standard income. In order not to discourage enterprise, the rate of tax suggested is 75 per cent, the same as that provided for in the Town and Country Planning Act of 1932. After the passing of the necessary legislation, the annual site value of every hereditament would be assessed as a basis for calculating future increases in annual values. Subsequent assessments would be made at five-yearly intervals. Thus the tax would only become payable after the second valuation, that is, five years after the first assessment. Account would be taken of increases in values due to owner's own expenditure. But the Committee suggests that these allowances should not

exceed 4 per cent of the capital cost. The following example illustrates how the scheme would operate in practice:

OPERATION OF BETTERMENT TAX					
1943	Datum Annual Site Value (A.S.V.)	50	25% allowance	12	
			Annual levy payable from 1953 to 1958	21	
1948	1st Revaluation:—				
	A.S.V.	62			
	Less datum	50	1958 3rd Revaluation:—		
			A.S.V.	140	
	Gross increase	12	Less datum	50	
	25% allowance	3		90	
	Annual levy payable from 1948 to 1953	9	Owner's allowance for expenditure 1948-1953	22	
			Owner's allowance for expenditure 1953-1958	20	
1953	2nd Revaluation:—				
	A.S.V.	100			
	Less datum	50			
		50			
	Owner's allowance for expenditure in 1948-1953	22	25% allowance	12	
		28	Annual levy payable from 1958 to 1963	36	

As a guidance valuation, the Committee lays down that—

the annual value of any particular site on the occasion of the datum valuation should be limited to the annual value of the site as then actually and physically developed and as if it were permanently restricted against any other form of development than that then existing, and similarly on the occasion of each subsequent valuation. Thus, in the case of a dwelling-house the possibility of its being converted into a shop would be ignored. On the other hand, the annual value of the site would be determined by reference to the most prudent use of the property in its actual physical state of development, that is without structural alterations; for example, if particular premises were actually being used merely for storage purposes, but without structural alteration, they could be let or used more profitably as a garage, the annual site value would be determined by reference to the possible more profitable use.

Finance and Banking

End-November Stringency

The closing days of November are normally a period of strain in the money market. Credit is temporarily immobilised in preparation for the War Loan dividend disbursements, while the customary making up by the clearing banks is making itself felt. This year the calls on the limited supplies of credit have been further increased as a result of heavier borrowing than is usual by the Stock Exchange. This last is a reflection of the increased activity of stock markets, and has resulted in the temporary disappearance of supplies of cheap $\frac{1}{2}$ per cent money normally available from non-clearing bank lenders and a considerable restriction in the supplies of such money available against bonds at 1 per cent. The general rate paid by the stock market money houses has been $1\frac{1}{4}$ per cent. Though credit has been in shorter supply, it has never been inadequate, in the aggregate, to meet the needs of the discount market; but owing to the considerable turnover of funds, borrowers have had to bestir themselves rather more vigorously than usual in finding accommodation. The latest level of bankers' deposits at the Bank of England, namely £148,793,000, showing an increase of £3,072,000 on the week, would not be indicative of stringent credit conditions did the figures not apply to a day when several clearing banks were making up. The circulation has made another leap, the past week's increase of £4,798,000 carrying the total to the new record of £870,033,000 and reducing the reserve of unissued notes to £10,208,000 and the reserve ratio to the unprecedentedly low level of 5.5 per cent. The preparation of Exchequer accounts for the War Loan dividend payments had evidently not made much headway by Wednesday afternoon, for public deposits appear in the latest bank return at the low level of £7,730,000—a fall of £448,000 on the week. Heavy ways and means borrowing thus appears to be imminent and will further supplement the addition of £10,685,000 to Government securities made by the Bank over the past week.

Fewer Treasury Bills on Offer

The offer of Treasury bills at the tender this week is being cut down to £80,000,000, compared with the figure

In other words, betterment is to be taxed only if it is realised or capable of realisation, and the tax is to be borne by the person actually enjoying or capable of enjoying the increased value. While it should be possible to assess the value of sites on the basis of their actual use, it may be more difficult to assess their value on the basis of the "most prudent use." Premises used for storage may be physically capable of being used as a garage, but whether they could in fact be used as a garage depends on demand. The principles of valuation clearly need further clarification.

The machinery for valuation is ready to hand in the machinery for local assessment to rates. Rating assessments are already made at five-yearly intervals (they have been suspended for the duration of the war), and all that remains is to add another column to the ordinary schedules. In the view of the Committee, local rating authorities, with the assistance of directions by County Valuation Committees, should be quite capable of valuing sites. Moreover, appeals against valuations could be made locally in the same way as appeals against rating assessments. The objection to the scheme on the ground that no two valuers, acting independently, arrive at the same result is an objection, not only against the present rating system, but also against all transactions and assessments which are based upon the valuation of property.

The proposals of the Committee for collecting betterment need further elaboration; their implications have to be examined in greater detail than a summary survey of a statement of principle permits. But if the principle of securing for the community part of the community-created betterment is accepted, as it surely must be, the scheme for applying it proposed by this expert Committee demands the closest and most sympathetic consideration. To reject it out of hand would be to undermine the whole of the Committee's proposals, the alternatives to which are nationalisation or stagnation.

of £85,000,000 offered and issued at the six previous tenders. The reduction tends to confirm the interpretation of the increased offerings of Treasury bills made in these columns when the increase began in the first week of October. It was then suggested that the bills which would be issued over the next few weeks would mature in the period of heavy tax collection that normally occurs towards the close of the financial year, and that more of these maturities would be acceptable to the banks in order to neutralise the effect of tax payments on their cash position. It was also suggested that on this assumption, it might be expected that the offerings of bills would again be reduced when the period in question was over. With the bills now being offered, we run into March maturities. The main income-tax pressure is felt in January and February, with usually another final burst in the last few days of the financial year. The drop of £5,000,000 in the weekly offering is thus in full accord with this explanation of the recent increased offering of Treasury bills. The fluctuations help to restore to the tender Treasury bill issue some of the merits of elasticity of which, it was thought, it had been wholly deprived by the Treasury deposit receipts issue. It is, however, interesting to note that if the additional bills issued through the tender over the past six weeks are, in effect, to reach the clearing banks, they will have to do so through channels other than the discount market. The discount

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market syndicate, in accordance with its customary practice of applying for at least all the bills on offer each week, has stepped up its applications, but its proportionate allotments have fallen sufficiently to neutralise this factor. In fact, the weekly issues of Treasury bills to the discount market in the past six weeks averaged £27,400,000, against £31,100,000 in September and £28,500,000 in August when weekly offerings amounted to £75 millions only. It must thus be assumed that a larger proportion of the bills issued have gone to the customary "outside" quarters—official and unofficial—and that the banks will be fed by these between now and the end of the year.

* * *

Trading in Ransoms

The British and Dutch Governments have this week revealed a new dodge by which Germany has in recent months been endeavouring to supplement its strained foreign exchange reserves. Persons living in occupied territories are being offered exit permits by the German authorities, but at a cost of about £5,000 to be paid in foreign currency—usually in Swiss francs. The Dutch Government recently received a tentative offer to emigrate 500 Dutchmen on payment of 5,000,000 Swiss francs, the payment to be made either in cash through a Swiss bank, or by loan from a Swiss bank, the interest on which would be guaranteed by the Dutch Government. Most of these obnoxious transactions have demanded payments in Swiss francs, this currency being outside the control net of the Allied Governments. In all cases which have come to the notice of the authorities, the appropriate counter-measures have been taken. The Minister of Economic Warfare has this week explained why the British Government cannot condone this traffic in blackmail. Apart from the breaches it would make in the financial blockade of Germany, the success of such operations would merely increase the appetite of the blackmailer and "add to the sum of human misery among the peoples now under German domination." One of the counter-measures has been to place on the black list all agents who have been acting for the German authorities in this traffic.

* * *

Commonwealth Bank Report

The report of the Commonwealth Bank of Australia, covering the year to June 30 last, sheds interesting light on two crucial aspects of Australian banking: the external payments position and the continued intrusion of the central bank in commercial banking business. The report states that for the year ended June 30, 1942, the Australian balance of payments on current account, together with some capital inflow, was such that it was possible for the Commonwealth to pay £A47 millions towards the cost of direct defence imports and of the maintenance of armed forces overseas, though not without drawing to some extent, on accumulated London balances. This encroachment on sterling resources would seem, by comparison with the latest balance sheet, to have amounted to about £A15 millions. Money at short call in London has fallen over these twelve months by £A20,225,000 to £A33,774,000 and sterling in-

vestments by £A462,000 to £A11,433,000. On the other hand, sterling bills and remittances in transit have risen over the same period by £A5,519,000 to £A9,922,000. The principal overseas payments were those needed to meet the costs of maintaining Australian forces in the Middle East and elsewhere and to pay for war equipment other than that obtained on Lend-Lease terms. The extreme scarcity of shipping space has restricted both imports and exports, but the adverse effect of this restriction on the overseas payments position has to some extent been countered by the arrangements of the British Government to pay for the whole wool clip irrespective of whether or not it is shipped. On the question of commercial banking, the report states that the Commonwealth Bank has continued to provide large sums temporarily to finance wheat and other primary products pending sale. In accordance with the policy of the Government, the Bank has also provided finance against Government guarantee to manufacturers, wholesalers and others for purposes directly connected with the war. The extension of these commercial banking operations is seen in the growth of bills discounted, loans and advances from £A24,855,000 to £A35,524,000 over the year. The principal change in the balance sheet is the growth from £A37,745,000 to £A91,419,000 in the holding of Commonwealth Government securities. The ordinary deposits of the Bank have risen by only £A9,300,000 to £A129,949,000, but the special War-Time deposits by banks, which did not figure in the 1941 balance sheet, had, by the end of last June, risen to £A6,886,000. On this evidence, the expansion of central banking credit in Australia has been appreciably greater than the corresponding movement in this country. But the comparison between the two movements cannot be carried further, owing to the active competition between the central bank and the commercial banks which, in contrast to Britain, exists in Australia. Central bank credit in the Commonwealth is not merely the small apex of the inverted credit pyramid. On the contrary, it provides much of the substance of the whole pyramid.

* * *

Commercial Bank of Scotland

The balance sheet of the Commercial Bank of Scotland as on October 31st last shows changes which accord very closely with the trend of clearing bank figures over the past year. There has been an expansion, and the main driving force has been provided by increased holdings of Government securities. The balance sheet total has risen from £77,700,000 to £83,120,000, deposits are £4,117,000 higher at £68,114,000 while the notes in circulation have risen by £1,707,000 to £7,764,000. The counterpart to the increased deposits is more than provided by the increase of £5,246,000 in British Government securities. On the other hand, bills and advances have fallen by £481,000 to £9,627,000. At this level, they now take third place in the ranking of assets, having fallen below the total of Treasury deposit receipts, which remain at £10 millions. These changes in the distribution of assets have evidently made for some reduction in earnings, and the profits for the year are returned at £286,275, compared with £298,241 for 1940-41.

Investment

Longer War Bonds

After repeated and premature guesses as to the date which would be chosen to issue a new National War Bond, the market was not taken by surprise by the Chancellor's statement of Tuesday. The old issue of 2½ per cent National War Bonds, 1949-51, had been running for almost 14 months, and had reached a total of some £673 millions, or half as much again as either of its predecessors. Evidently, a stop would have to be put to it soon, and the only questions were when, and what, the new offer would be. Once again, the market has been disappointed. There is no sign of any desire to cater for the demand for a true short. The new bonds are identical with the old, except that they are repayable in the two years preceding March 1, 1953. They will be first issued on Tuesday, so they have a maximum life of 10½ years, or 5½ months more than the old had when first offered on October 8, 1941. Once more, the Treasury is borrowing on better terms, but at the cost of restricting the market for the stock, for there has

been little change in the general run of gilt-edged stock quotations over the 14 months, and 2½ Consols are actually a trifle cheaper now than then. The immediate effect of the announcement was to create a modest demand for both series of the 1949-51 bonds and for 3 per cent Conversion, 1948-53. The quotation for the "A" series of the former is now 100½, and that for the Conversion loan 103½. While the new bond doubtless fits into the scheme of maturities very well, it is not likely to be popular. The old issue was too long for the money houses, the new is still too short for the general run of investors. The banks will have to take it: the insurance companies, and some trustees will find it convenient. Against the present background of declining prices for fixed interest stocks, that is the best that can be said for it. There does not appear to have been any possibility of effecting a corresponding saving in interest in the case of the 3 per cent Savings Bonds, 1960-70, first offered seven months ago, of which some £206 millions have so far been sold.

More New Issue Control

As from December 1st, the consent of the Treasury will be required to any issue of capital in connection with the amalgamations of companies or the acquisition of one by another, even although no demand for new money is involved in the operation. This is potentially an extension of policy, although it is regarded by part of the market as merely stopping a loophole in the regulations. These have been evaded in the past by the simple expedient of forming a holding company, to take over concerns by a mere exchange of shares, and offering the shares to the public after a suitable interval. This was done sometimes by a stock market placing, and sometimes by the channels of advertisement. The former means has been blocked by the Treasury's assumption of a veto on permission to deal, a veto which is none the less binding for having no more solid backing than its acceptance by the Stock Exchange sub-committee concerned. In consequence, the principal immediate effect of the new regulation will be to restrict the activities of the unofficial market, which has been using an amount of manpower and paper out of all relation to the capital it has distributed. In these circumstances, the Stock Exchange tends to hail the regulation as a sign of Treasury enlightenment. That may be the proper attitude. But it is a fact that the new step greatly extends the scope of Treasury control, and it is an act of faith to suppose that this will be used for the benefit of the market. It is, however, to be hoped that protracted contact between the two bodies will have an educative effect.

* * *

Third Year Savings

Full figures for the third savings year are not yet available. That of "small savings" for the twelvemonth ended November 17th is £630 millions, against £612 millions for the preceding year, and some £464 millions for the first year of the campaign. These figures are gross. If there are deducted from them the repayments, shown in the monthly statements of the Treasury, the net figures are £584½ millions for 1940-41 and £587 millions for the period just ended. The latter calculation is based on the figures for eleven months. Meanwhile, there has been a 35 per cent increase in the number of savings groups operating during the year, against a rise of 138 per cent between the first and second savings years. These calculations are based on the geometric mean of the numbers existing at the beginning and end of the periods to which they refer. Whatever may be thought of the efficacy of the savings campaign among people of small and moderate means, it is evident that these figures cannot be taken as telling the true story. Indeed, they are virtually valueless as an indication, either of the effects of the efforts of that campaign, or of the share in total savings put up by the wage earners. It is, perhaps, impossible to get any really close approximation to these facts, but it is desirable that the position should be realised. There can be no question but that the quality of the saving is improving. Far less of it represents transfers from one form of investment to another, or the investment by the relatively well-to-do of lump sums, than was the case in the first and second years, but how much less the figures do not indicate. Nor is it possible to get anything like a clear picture from the various statements of Lord Kindersley and Sir Kingsley Wood. As to the figures of the past two years, a little light is provided by the details. The net addition to holdings of Savings Certificates during the past twelvemonth was almost £24½ millions, and that to Post Office Savings Bank balances £16 millions, greater than in the preceding period, while the sales of Defence Bonds fell off by £38 millions. The expansion in Post Office deposits during the past year was some 7½ per cent, whereas in the previous year it was virtually 100 per cent. These facts support the thesis of improved quality, but they do little to give a measure. The observer is left with nothing to alter the impression that far too much is still being spent, or otherwise remaining outside the net.

* * *

The Australian Conversion

On January 1st next, £16,451,403 of Commonwealth 2½ per cent stock and debentures fall due. As on previous occasions of final maturity, the British Treasury has consented to permit a conversion offer, and it has again undertaken to provide the sterling funds for the payment of any who do not accept the offer, as an alternative to allowing an issue for cash. There is no new development of technique.

ABRIDGED NOTICE.

Consent of the Treasury has been obtained to this offer under Regulation 6 of the Defence (Finance) Regulations, 1939.

GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA CONVERSION LOAN

OFFER OF CONVERSION TO HOLDERS OF £16,451,403 Commonwealth of Australia 2½ per Cent. Registered Stock and Debentures, 1941-1943,

INTO
GOVERNMENT OF THE COMMONWEALTH OF AUSTRALIA
3 PER CENT. REGISTERED STOCK, 1944-1946,
at the rate of £98 per cent.

Interest payable 1st January and 1st July.
Six months' interest will be paid on 1st July, 1943.

The Government of the Commonwealth of Australia will comply with the requirements of the Colonial Stock Act, 1900; in order that **Trustees may invest in the Stock**, subject to the provisions set forth in the Trustee Act, 1925.

Commonwealth Bank of Australia is authorised by the Government of the Commonwealth of Australia to offer to holders of £16,451,403 Commonwealth of Australia 2½ per cent. Registered Stock and Debentures, 1941-1943, maturing 1st January, 1943, **Conversion**, in whole or in part, into an equal nominal amount of Government of the Commonwealth of Australia 3 per cent. Registered Stock, 1944-1946.

Holders accepting the offer of conversion must lodge their acceptances on the appropriate forms, accompanied by the relative Stock Certificates or Debentures, at COMMONWEALTH BANK OF AUSTRALIA. These forms have been posted to the holders of Registered Stock or, in the case of joint accounts, to the Stockholder first named in such accounts. Forms for conversion of Debentures may be obtained from the Bank on application.

Holders who convert will receive on 1st January, 1943, a cash payment of £2 per cent., representing the difference between the issue price of the new Stock and the redemption price of the old Loan. They will also receive on that date accrued interest at 2½ per cent. per annum from the last half-yearly dividend payment (15th September, 1942) to 1st January, 1943.

Six months' interest on the new Stock will be paid on 1st July, 1943.

Holders who do not convert will be paid off at par on 1st January, 1943, together with accrued interest from the last half-yearly dividend payment (15th September, 1942) to 1st January, 1943. An equivalent amount of Government of the Commonwealth of Australia 3 per cent. Registered Stock 1944-1946, will be taken up by Commonwealth Bank of Australia.

The revenues of the Commonwealth of Australia alone are liable in respect of this Loan and the Dividends thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of His Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Loan or of the Dividends thereon, or for any matter relating thereto—40 and 41 Vict., cap. 59, sec. 19.

A commission of 5s. per £100 Stock will be paid to Bankers and Stockbrokers in respect of conversion acceptances bearing their stamp.

Full copies of this Notice and Forms for Conversion may be obtained from Commonwealth Bank of Australia, 8, Old Jewry, London, E.C.2; Messrs. R. Nivison & Co., 6, Threadneedle Street, London, E.C.2, or at the Offices of the Government of the Commonwealth of Australia, Australia House, Strand, London, W.C.2.

Commonwealth Bank of Australia,
8, OLD JEWRY, LONDON, E.C.2. 20th November, 1942.
The List for Conversions will close on Friday, 18th December, 1942.

The offer has been timed to coincide with the marked improvement in the prices of Australasian loans, which has resulted from the success of the United Nations in the Solomon Islands and New Guinea. This has made it possible to offer in exchange a 3 per cent stock at 98, repayable at any time, on three months' notice, in the two years commencing July 1, 1944. It was to be expected that any conversion would be into a short. No other policy is reasonable with the enemy almost on one's doorstep. In this particular case, the form of the new stock is also appropriate, for a security carrying only 2½ per cent, and standing, thanks to its approaching date of redemption, virtually at par, should be largely in the hands of money houses and other institutions which require short-dated investments. It is, thus, very probable that the conversion offer will be accepted by a considerable proportion of holders, the actual number depending, in no small measure, on the course of military developments in the Pacific in the three weeks which have still to pass before the final closing of the conversion lists on December 18th. Holders who find a short-dated stock not to their liking, but who wish to retain holdings of Commonwealth Government stock, have also an option on this market for a like period, but it is not a very valuable one, for, if things go well, the longer-dated stocks will improve much more than the short they are offered. If they feel that the military threat to Australia is definitely removed, they should have bought already. Those who require a short may feel that the chances of a conversion of the 4 per cent stock 1943-48 before its final date are not great, and may still find it attractive at 100½, including six weeks' interest. It must be remembered, however, that conversion of optional maturities has already been permitted in the case of Australia.

Peter Robinson Scheme

The scheme of capital reconstruction, advanced by the directors of Peter Robinson, while in a different category from either the Fine Spinners or the British Celanese plans, in their original forms, seems to be dangerous from the standpoint of 7 per cent cumulative preference shareholders. The position is complicated by the fact that there is a debenture moratorium, which may extend to 1946, and because new money may be required to finance physical reconstruction. The preference shareholders are asked to forgo 2½ years of arrears, to suspend their cumulative rights until 1948, and to accept a cut in their preferential right to 5 per cent. In exchange, they, and the small amount of preferred shares, held by the staff, will be given participating rights, equally with a reduced amount of ordinary capital, up to a total of 10 per cent. Leaving out of account the arrears, the preference holders will benefit when the distributable profits exceed £41,750, and suffer when they are less. The accounts to January 31st last showed a net profit of £23,134, against a loss in the preceding year of £8,037. The company evidently wishes to reassure the debenture-holders and, probably, to clear the way for post-war borrowing. The scheme, which is well set out, is not necessarily unfair to the preference holders. The position, so far as it is known, is set out with some detail. The trouble is that it is quite impossible at this juncture to determine what the future will produce, and it is a sound principle that reconstructions should not be attempted until a fairly clear view of early prospects can be obtained. It seems probable that the best step is to defer the plan as premature.

Rhodesian Copper Outlook

Disillusioned shareholders in Rhodesian copper companies will derive some encouragement from the announcement by the board of the Mufulira company of a dividend of 11½ per cent in respect of the year ended June 30th. This was the rate to which the payment was reduced for 1939-40, but last year, despite a further increase in earnings, no payment was made, although 18 per cent was estimated to have been earned after meeting tax provisions. At that time, it was made clear that the only alternative to using current earnings for capital purposes was, in view of the unfavourable EPT base, to borrow, and this the company was most unwilling to do. The expenditure of earnings on equipment to expand production will have increased the permitted earnings, and it is possible that the company has derived some benefit from the provisions for special allowances on wasting assets. The over-riding consideration is, however, likely to have been the position with regard to capital outlays. Shareholders in Rhodesian Selection Trust,

which owns 64 per cent of the capital, can hardly fail to benefit from the dividend, but it is not clear how far the return to the full 1939-40 rate is likely to be typical of Rhodesian companies. The 5s. shares of Rhodesian Selection stand at 13s. 9d., which indicates that a return to the 13½ per cent distribution of two years ago is expected. Rhokana Corporation and "Chartered," who own the remaining Mufulira shares, should also benefit.

Company Notes

Ind Coope Progress

The full accounts of Ind Coope for the year to September 30th last show a rise in total income from £1,681,411 to what appears to be the new record level of £1,986,008. The improvement took place almost exclusively in trading profits. The table below, which analyses results over the past three years, shows, in charges against profits, a substantial rise in transfers to taxation and compensation fund, despite which equity earnings are virtually maintained at a rate of 31.7 against 31.8 per cent. After repeating the 22½ per cent dividend paid in the two previous years, the directors are able to maintain the £100,000 transfer to contingencies, to raise the allocation to Property Improvement, bringing this fund to £250,000, and to increase the carry forward by some £3,350 to £476,206. In an informative speech, the chairman, Sir George L. Courthope, makes it plain that the supply position was the dominant factor

	Years ending September 30.		
	1940	1941	1942
Trading profit	1,158,724	1,351,984	1,662,368
Total receipts	1,369,045	1,681,411	1,986,008
Tax and compensation fund ..	600,450	846,930	1,157,502
Depreciation	134,978	139,441	134,880
Fees, etc.	20,798	19,940	24,299
Mortgage and deb. interest ..	133,749	206,844	205,301
Deb. redemption	26,382	27,637	28,954
Prof. dividends	75,204	65,996	61,391
Ordinary stock:—			
Earned	377,481	374,623	373,681
Paid	313,735	265,128	265,128
Earned %	27.1	31.8	31.7
Paid %	22½	22½	22½
Property reserve	59,582	2,568	5,185
Contingencies	—	100,000	100,000
Carry forward	465,912*	472,839	476,206

* After writing off £3,393 loss on sale of Government securities

last year. The group has apparently bought ahead of current shortages, but there remain considerable malting difficulties and increasing lack of skilled labour, which has notably affected the output of bottled beers and the ability to maintain transport connections. The consolidated balance sheet shows a rise in the value of stocks of the group from £1,227,290 to £1,722,913, due mainly to higher prices. There is a rise in net liquid assets of the group from £1,356,506 to £1,713,795 and a decline in net loans of the company to subsidiaries from £237,063 to £221,850. Total taxation paid by the group amounts to some £9,000,000; free reserves of the company stand at £1,514,236. There is a moderate rise in debtors of the group and of the company, and it is clear that potential demand has been well maintained. The £1 ordinary stock, at 97s. 6d., yields £4 13s. 9d. per cent.

Anglo-Iranian Interim

The resumption of interim dividends by Anglo-Iranian Oil, with a payment of 5 per cent in respect of the year 1942, can hardly have caused surprise in the market, although it was hailed as a very welcome confirmation that matters are on the mend. It is a true interim and will doubtless be followed by a final, whereas the interims of recent years have only been entitled to that name in the legal sense that they were distributed before being passed by the annual meeting. Payments for the past three years have been 5, 5 and 7½ per cent, respectively, and it is assumed, with every justification, that this year's total will exceed the last of these figures. While it is impossible under

conditions of war to know just what Anglo-Iranian, and in particular the Abadan refinery, are doing, it is clear that they must have benefited from the Middle Eastern campaign and from Indian developments. The recent course of events has been reflected in a substantial, if somewhat spasmodic, improvement in prices of the Royal Dutch-Shell group of companies. The declaration of the dividend caused a further improvement. Anglo-Iranian now stand at 78s. 9d., while Burmah Oil have risen to 59s. 4½d. and Shell to 66s. 3d.

Joshua Hoyle Accounts

The accounts of Joshua Hoyle for the year to September 30th last show a decline in profits after EPT from £211,580 to £194,332. Charges against profits are mainly constant, income-tax and depreciation again requiring £30,000 and £50,000 respectively, while £10,000, as before, is transferred to staff funds. War damage contributions, however, take some £7,000 less at £15,998. Thus, after prior charges, there is £54,731 against £61,543 for equity capital, representing 14.9 against 16.8 per cent. As in the two previous years the ordinary shareholders receive 7½ per cent, £25,000 is transferred to reserve, and the carry forward raised from £67,749 to £69,953. The virtual maintenance of profits which the management has succeeded in realising during a difficult year has, it appears from the balance-sheet, been achieved despite some contraction of turnover. Debtors and creditors are both lower, and there is a rise in stocks, financed by a reduction in cash, from £476,922 to £715,977. Net liquid assets are somewhat lower at £950,251 against £987,698, while net loans from subsidiaries are reduced from £832 to £313. The Joshua Hoyle concern has always concentrated mainly on the domestic market, and is, in consequence, relatively unaffected by last year's further restriction of exports to the Americas. The concern also profits from its position as a nucleus firm, and should be able to maintain earnings at a satisfactory level for the duration. The 2s. ordinary shares, at 3s. ex dividend, yield £5 per cent.

Industry and Trade

Future of Overseas Trade

During a speech at the Liverpool Luncheon Club on November 25th, Sir Raymond Streat, chairman of the Cotton Board, emphasised the need for translating general principles of post-war planning into detailed and workable programmes. There has been "an outburst of reports" from the great organisations of industry and trade, but, as Sir Raymond Streat pointed out frankly, "they fought shy of coming to grips with the essential issues." His own contribution was on the subject of overseas trade. Broadly, all trade agreements should be made to conform to certain overriding rules "under the insistent authority of the United Nations." They might be grouped under two headings. Under the first would come commodities which should be allowed to be exchanged freely; that is to say, they would receive identical treatment by all countries and be free of quotas and restrictions. Under the second heading Sir Raymond Streat would include key commodities singled out for special treatment; in the main, these would be certain primary products, such as wheat, rubber and tin, and war materials. But the treatment of these commodities would be scrutinised by some international tribunal in order to ensure that trade agreements conform to the principles of free access and expansion. Sir Raymond Streat's suggestions deserve careful consideration, for they represent an approach which may point towards a solution of one aspect of the problem of post-war trade organisation.

Newsprint

Last week's issue of *World's Press News* contained an interesting survey of the consumption, stocks and prices of newsprint. Since 1940, the supply position has been difficult, not only as a result of the loss of important sources of supply in Scandinavia, but also because of the shortage of shipping space. Since May, 1940, that is to say after the German invasion of Norway, supply has been centralised in the

Consolidated Gold Fields of South Africa

The full accounts of *Consolidated* and *New Consolidated Gold Fields* for the year to June 30 last show a healthy improvement in net earnings. Total income of *New Consolidated Gold Fields* actually increased from £723,501 to £842,949, the highest level of the past three years. The transfer of £100,000 to depreciation is repeated, and equity earnings are some £60,000 higher at £278,809, despite a rise in total tax provision from £209,977 to £294,566. The ordinary distribution is maintained at 10 per cent, covered by 13.5, against 9.5 per cent, and the whole surplus goes to raise the carry forward from £152,141 to £224,872. In the accounts of the holding company, income from dividends is again fully distributed, the ordinary shareholders receiving 10 per cent, less tax, at some 8s. 3d., against 6s. 11d., so that the carry forward remains at £9,673 for the third year in succession. The improvement in total income of *New Consolidated* has been realised despite a reduction in dividends received from nearly all the gold mining companies in which the concern is interested, and despite a rise in the Special Contribution required by Transvaal taxation from 16 to 20 per cent. The explanation is no doubt a further marked improvement in finance business. The directors point out that there is also an unrealised profit from the market appreciation of the company's investments. The balance-sheet of *New Consolidated* shows a rise in holdings of British Government securities of £300,000 to £1,106,900, and in total investments from £6,477,508 to £6,714,383, financed by a contraction in cash advances and mortgages. There is a considerable shift in assets, loans at short call rising from £6,663 to £115,000, while sundry debtors are reduced by some £104,000 to £204,400. A jump in cash holdings of some £360,000 has been financed by a rise in creditors from £1,028,592 to £1,359,023. The report insists on the importance for the war effort of maintaining gold production. This is, of course, a controversial topic, but, provided there is no marked change of policy, the prospects of the investor appear favourable. The £1 ordinary shares of *Consolidated Gold Fields*, at 43s. 9d., ex dividend yield £4 11s. 5d. per cent, less tax, at 8s. 2.69d., or £2 13s. 10d., tax free.

Newsprint Supply Company, Ltd., and a drastic curtailment of consumption has been inevitable. Before the war, average weekly consumption was no less than 24,000 tons; it was cut to 14,500 tons after the outbreak of war; to 6,800 tons at the beginning of July, 1940; to 5,800 tons on March 16, 1941; to 4,850 tons on April 13, 1941; and to the present figure of 4,430 tons on March 16th this year. The current weekly rate of consumption, which represents only 18½ per cent of the pre-war intake, has been confirmed by the recent agreement between the Newsprint Supply Co. and the Government, but on condition that part of requirements is met from stocks. These are substantial and, on October 1st, were equivalent to 32 weeks' requirements at the current rate of consumption. The projected reduction of stocks to a level at which they will be equivalent to 16 months' consumption, to be effected within eight months, is designed to save shipping space during a period of considerable stringency. The price of newsprint showed a marked advance in 1940, but since then it has remained fairly stable; the controlled price of £30 15s. od. per ton compares with a price of £21 10s. od. at the end of February, 1940. For the sake of uniformity, the prices of imported and home-produced newsprint have been equalised; Canadian paper has been imported at about £5 per ton below the price of home produced newsprint. On the whole, the difficult task of providing an adequate supply of raw material to the newspaper industry has been well handled.

BOOKS WANTED

The Institute of Bankers in Ireland, 20 College Green, Dublin, is anxious to obtain copies of the undernoted books and would be glad to hear from persons in possession of them with a view to purchase.

Geldart: "Elements of Economics"; Hough: "Death Duties and Probate Practice"; Strahan and Baxter: "General View of the Law of Property"; Beatty: "Practical Guide to Death Duties, 1922," or prior edition; Nelson: "Handbook on Probate Practice in Eire and Northern Ireland"; Ranking, Spicer and Pegler: "Executorship Law and Accounts."

Clothing Industry Concentration

Concentration of the clothing industry is now virtually complete in the Leeds area, and concentration is to be begun in the North-Western region. Other areas will follow suit shortly, and, in particular, Leicester, Nottingham and Birmingham. Meanwhile, preliminary surveys for the whole country (other than Leeds) will be provided by returns made to the Board of Trade by November 28th by all makers-up employing more than nine workers. There are two main aspects to clothing trade concentration: factory space and labour. In certain areas factory space is needed for more important manufacture. Leeds' contribution is three-quarters of a million square feet. In the transfer of labour, the point has been reached where there is relatively little mobile labour left. A new departure is therefore necessary—such work as can be is to be taken to the workers instead of the reverse. Clothing manufacture provides a good subject for such action; if machinery needs to be moved, this presents no great problems, for raw materials can as easily be sent to one area as another, and there are no climatic restrictions on the location of the industry. Nucleus firms will operate in areas where the demand for labour from higher priority production units is relatively small. Production of clothing will increase in Scotland, Northern Ireland, North-East England and in parts of London. Designation will go when the new scheme is complete. Sir Thomas Barlow, Director-General of Civilian Clothing, admitted that designation may have tended to keep large numbers in the industry and that it had been applied to factories employing a labour force below their reasonable capacity. The terms for the issue of a nucleus certificate to a factory are that it must be running to full capacity, that its labour force is not less than 90 per cent of the number employed before June, 1940, and, normally, that it has at least fifty workers on its pay-sheets. The usual concentration arrangements will be applied to the clothing scheme: nucleus firms will manufacture for closed firms. A special scheme is being discussed to compensate firms which have to close down without finding a factory to take over their production.

Size of Cotton Firms

The analysis of the distribution by size of individual firms in the cotton spinning, weaving and finishing trades, published in the Cotton Board's *Trade Letter* of November 17th, throws further light on the present set-up of the industry. The main features of the analysis are shown below:—

I.—SPINNING MILLS (a)		
	No. of Mills	No. of Spindles (million mule equivalent)
Less than 30,000 spindles.....	60	1.1
30,000-60,000 ".....	103	4.7
60,000-90,000 ".....	90	6.7
90,000-120,000 ".....	112	11.8
More than 120,000 ".....	89	14.8
Total.....	454	39.1
(a) Excluding waste spinning.		
II.—WEAVING SHEDS		
	No. of Sheds	No. of Looms (000's)
Less than 100 looms.....	344	17
100-500 ".....	720	186
500-1,000 ".....	277	192
More than 1,000 ".....	69	85
Total.....	1,410	480
III.—FINISHING FACTORIES		
	No. of Factories	No. of Operatives Employed
Less than 25 operatives.....	190	2,400
25-60 ".....	121	4,800
60-100 ".....	111	8,800
100-200 ".....	107	15,300
200-400 ".....	53	14,200
Over 400 ".....	11	6,600
Total.....	593	52,100

As was to be expected the spinning branch is concentrated into fewer units than the finishing and, especially, the weaving branches. The bulk of the process of spinning is carried out in a comparatively small number of estab-

lishments. Weaving, on the other hand, is still a much more specialised trade, with a comparatively large number of small and medium sized units. In the finishing section, too, there is still a preponderance of small concerns. Unfortunately, the Cotton Board does not show the changes that have taken place in recent years in the size distribution of individual firms in the three branches of the industry.

Exports of Wool Textiles

The decline in exports of wool textiles during the July-September quarter was not as marked as might have been expected in view of the restrictions imposed by the licensing and quota system which came into force on February 1st this year. Arrears of shipments due to lack of shipping space earlier this year may have had some influence on the latest returns:—

	Woolens 1,000 sq. yds.	Worsted 1,000 sq. yds.	Total 1,000 sq. yds.
1941			
January-March.....	8,907	6,406	15,313
April-June.....	10,472	4,457	14,929
July-September.....	15,468	7,407	22,875
October-December.....	23,348	9,874	33,222
1942			
January-March.....	18,393	8,763	27,156
April-June.....	10,984	5,609	16,593
July-September.....	9,930	5,895	15,825

During the twelve months ended in September, 1942, total shipments were nearly 93 mill. sq. yds compared with 66 mill. sq. yds. during the corresponding period in 1940-41, a reflection of the export drive in 1941. In recent months there has been some anxiety in the wool textile industry about the drift of workpeople from the mills to other employment, as well as into the Services. The exodus was particularly marked in the case of young women engaged in worsted spinning and to a lesser extent in worsted weaving. Many have joined the auxiliary Services, but there has also been a considerable transfer to other forms of employment which were considered more attractive and more remunerative. In order to arrest this tendency the majority of firms in the woollen and worsted trades of the West Riding of Yorkshire have been brought within the scope of the Essential Work Order. Spinners and manufacturers are now able to plan their production a reasonable distance ahead with some confidence. During the next few months the bulk of the total output will be absorbed by the Government and by the utility clothing scheme.

Beer

As the accompanying table shows, the consumption of beer has risen since 1939. The Government was faced with the alternative of cutting down the supply of beer, or diluting it, and the latter course has been chosen. In the last war, standard barrelage was reduced from 36.1 million barrels in 1914 to 13.8 million barrels in 1918. Standard barrels (containing 36 gallons of beer of an original gravity of 1055 degrees) have been kept steady in this war at about 19 million barrels.

OUTPUT OF BEER IN THE UNITED KINGDOM (in '000 bulk barrels)						
Quarter	1939	1940	1941	1939	1942	1939
1.	5,407	5,241	5,946	%	6,705	%
2.	6,481	6,649	7,365	+10	7,393	+24
3.	7,660	7,061	8,303	+14	...	+14
4.	5,983	6,557	7,488	+8	...	...
				+25	...	...
Total...	25,532	25,507	29,102	+14	...	...

Bulk barrels have risen from 25.5 millions to 29 millions, the increase in production being achieved by reducing gravity. In an article in the *Bulletin* of the Oxford Institute of Statistics for October 31st it is implied that it may not be possible to continue to allocate raw materials to brewers at the present rate, considering the alternative uses of the ingredients of beer.

(Continued on page 682)

COMPANY MEETINGS

ROYAL BANK OF SCOTLAND

ANNUAL GENERAL COURT OF PROPRIETORS

SUCCESSFUL RESULTS—HIGHLY LIQUID POSITION

FURTHER LARGE INVESTMENTS IN BRITISH GOVERNMENT SECURITIES

DUKE OF BUCCLEUCH'S ADDRESS

The annual general court of proprietors of the Royal Bank of Scotland was held, on the 25th instant, at Edinburgh, His Grace the Duke of Buccleuch and Queensberry, P.C., G.C.V.O., Governor of the bank, presiding.

His Grace said:—I assume it will be your pleasure that the annual report and balance-sheet, with auditors' report, will be taken as read.

Before dealing with the ordinary business of the meeting I should refer to the great loss experienced by the bank through the death, on June 29th last, of Sir Hugh Shaw Stewart, Baronet, who had been an extraordinary director from 1904. Sir Hugh took a keen interest in the affairs of the bank and was a regular attendee at the meetings of the extraordinary court.

The period covered by our accounts marks the third completed year of the war.

DEPOSITS AND OTHER LIABILITIES

Turning to the balance-sheet, we show total assets amounting to £108,171,956, which are approximately £10,000,000 in excess of the record figures of a year ago.

Under the heading "liabilities," deposits and other credit balances have increased by £7,192,837 to the figure of £89,199,983. These figures, as I stated a year ago, are large for a Scottish institution, but I should like to add also that they do not indicate any reluctance on the part of our clients to help the war effort. Most of our clients have been willing and regular contributors to the various war loans and have also taken up freely tax reserve certificates.

Notes in circulation at £6,357,373 show an increase over the previous year of fully one and three-quarter million pounds. When I addressed you a year ago, I referred to the factors accounting for the increase under this heading and, at the same time, I gave a warning against the dangers and folly of hoarding notes. So far as this bank is concerned, the pay-rolls of our clients have increased considerably, and there are also factors connected with the reduction in banking facilities throughout the country which must militate against the quick return of notes to the banks, but I would again repeat my warning to the public against hoarding notes.

The increase of £883,569 in the total of £2,960,755 for acceptances and indorsements of foreign bills and other obligations does not call for comment.

LIQUID ASSETS AND INVESTMENTS

On the assets side, our holdings of cash, balances with the Bank of England and other banks, money in London at call and short notice, etc., amount to almost £22,000,000. That provides evidence of a highly liquid position and, along with Treasury deposit receipts, which stand in the balance-sheet at £7,000,000, represents over 30 per cent. of our liability to our depositors and to the holders of our notes. British Government securities at £39,341,610 show an increase of over £4,500,000 on last year's figures. The increase under this heading shows that our larger resources have been mainly utilised towards helping the financing of the war.

It can be said that a higher proportion of our investments in Government stocks is in short and medium-dated loans, and that all these and other investments are valued at or under market prices ruling on the date of our balance.

Notwithstanding the paucity of commer-

cial bills, we are pleased to be able to show a portfolio including £1,500,000 Treasury bills of £2,841,915.

ADVANCES

We have also to record an increase in our advances which at £24,274,678 are up on last year's figures by £350,000. The higher figure of our advances is entirely due to the facilities granted to our customers who are undertaking vital war contracts.

I should explain that the increase of £178,563 appearing under the heading of "loans against stocks" is purely temporary and is connected with the help given by our clients to finance the war.

PROFITS

The net profit of the year at £516,386 10s. 2d. compares with £491,522 6s. 7d. shown a year ago, but is still considerably below the profits earned immediately prior to the war.

APPROPRIATIONS

The directors are pleased to be in a position to recommend that a dividend for the half-year on the capital stock at the rate of 17 per cent. per annum be declared, and that £30,000 be applied in writing off expenditure on bank buildings and heritable property, and that a sum of £49,013 13s. 4d. be contributed to the trustees of the staff pension fund. After these appropriations, there remains the sum of £76,122 16s. 10d., which it is proposed to carry to our inner reserves against contingencies.

BUSINESS OF THE BANK

The business of the bank and of our associates in England—Glyn, Mills and Company and Williams Deacon's Bank, Limited, continue to prosper.

To fill a vacancy on the board, the Right Honourable William Young Darling, C.B.E., M.C., Lord Provost of Edinburgh, was elected. The Lord Provost, who is a notable figure in Scottish life, holds office until this court, when he comes up for re-election.

In passing I might say that this is the seventh occasion that the Royal Bank have included in their directorate a Lord Provost of the Capital of Scotland and, from what we have seen of our new director at our meetings, we regard ourselves as fortunate in obtaining him as a colleague.

SCOTTISH INDUSTRY

With the whole of the country's industry concentrated on the war effort, a review of Scottish industry at the present time is hardly called for. I should, however, like to say a word on Scottish agriculture which has made an increasing contribution to the national larder. Many farmers have been handicapped by a shortage of experienced labour, and transport problems affect the remoter districts of Scotland most severely. With the general rise in prices for agricultural produce, a reasonable measure of prosperity has been restored to arable farming, but the future of hill sheep farming is still obscure.

Afforestation, both during and after the war, is of vital importance to Scotland, and the provision of essential softwood timber from woodlands in private ownership has proved in two wars of the greatest value to the country.

It is hoped that both in agriculture and forestry the contribution during this period of national emergency will be remembered and recognised after the war is over.

I should also like to refer to the important work which the Right Hon. Thomas Johnston, Secretary of State for Scotland, along with his Council of State and the Council for Scottish Industry, is doing in the drive to improve Scottish industry. Already there are signs that the effort is bearing fruit, and we wish Mr. Johnston every success in the praiseworthy object he has in view.

TRIBUTE TO OFFICIALS AND STAFF

We have at the present time 703 members of our pre-war staff serving with His Majesty's Forces. In addition to this, thirteen members of our staff have made the full sacrifice, and our sympathy goes out to their relatives. Twenty-one others are reported to be missing or prisoners in the hands of the enemy. Wherever possible we have arranged through the intermediary of the Red Cross that weekly parcels, containing books, cigarettes and suitable articles, shall be sent to these prisoners to help to ease their unenviable lot.

To meet the heavy calls on our manpower, we have closed, since 1939, 49 of our branches. We regret that the closing of so many of our offices involves the severance of business relations with clients of long standing, but we hope that in the post-war period we may be in a position to again provide banking service in the districts from which we have felt it our duty to withdraw in the present emergency.

The report and recommendations of the Kennet Committee on man-power in the banking industry which have recently been made public will, if adopted, involve a further strain on our man- and woman-power, but we shall do everything we can loyally to fall in with the recommendations of the Committee whose findings, it is felt, have shown an understanding of what the banks have done in the past three years and are now doing to help the war effort.

I know that I am echoing the views of the directors and proprietors when I express our great appreciation of the loyal manner in which the staff—male and female, permanent and temporary—have carried out their duties in these difficult times. Without their wholehearted support the satisfactory results of the year could not have been achieved. To Mr Whyte, the general manager, the assistant general managers and the officials at Head Office, London, Glasgow, Dundee and Aberdeen, our thanks and congratulations are once again due for the devoted services which they have so unsparingly given in these difficult times.

STAFF PENSION FUND

In line with modern practice a separate staff pension fund was established during the past year, and the amount formerly standing at the credit of pension reserve fund, along with a sum from the bank's inner reserves, has been transferred to the names of trustees—some of whom are members of the staff—for the administration of the fund.

OUTCOME OF THE WAR

In conclusion, I would only add that we are more convinced than ever of the successful outcome of the war, and it is my earnest hope that when I address you next year victory will have been achieved by us and our Allies.

APPROVAL OF ACCOUNTS—DIVIDEND

I now beg to propose that the report, containing a statement of the accounts and balance-sheet, be approved, and that out of the Committee, whose findings, it is felt, rate of 17 per cent. per annum for the half-year, under deduction of tax, be declared in conformity therewith.

The report was approved and the governor, deputy-governor, extraordinary directors and the retiring ordinary directors were re-elected and auditors were re-appointed for the ensuing year.

SOUTH AFRICAN DISTILLERIES AND WINES, LIMITED

BURDEN OF TAXATION

The annual general meeting of South African Distilleries and Wines, Limited, was held on the 20th instant in London.

The following is an extract from the review of the chairman, Mr H. R. Mosenthal, which was circulated with the report: Despite heavy taxation, the balance of undistributed profits of the operating companies has been increased to the figure of £128,295 S.A. currency. It is obvious that the operating companies could have made a larger distribution, and so enabled us to pay an increased final dividend here, but your board is in agreement with the policy recommended by the local boards to conserve their resources to meet possible expansion or other contingencies.

INCREASED TURNOVER

Total sales have in the year under review reached a total which we never visualised when this company was incorporated and the very substantial increase in the net profits of the subsidiaries is due to increased turnover, and, except to a minute extent, not to any increase in the rates of gross profits. In no instance have our operating companies' selling prices been based on the highest that the Control allows, and generally they are well below the limit allowed by the Price Controller. The public, therefore, have been very well treated on this score, and when I point out that when the K.W.V. (the Co-operative) were given control of good wine they immediately increased the price to the merchants, from which the farmers benefited heavily and have also raised the cost of spirits to the merchants by 10 per cent., which was to be passed on to the farmer as an increased cost allowance due to war factors, it will be seen that both the producers and the consumers have had a very square deal. For the first six months of the new operating year the sales total shows a fair increase over the very good figure for the corresponding period.

Coming now to prospects, we continue to do well, and I have no reason to assume that, when we meet next year, the position will not be equally satisfactory. Owing to war-time difficulties and restrictions, the large sales total consists practically entirely of the operating companies' own products, and they are all the time increasing goodwill to their future benefit.

Owing to these same difficulties, exports from South Africa have been terribly restricted, but fortunately our subsidiary companies have always concentrated on the South African market, and the total of exports formed an unimportant percentage of their turnover.

POST-WAR POLICY

What is to be their post-war policy? Should they, while maintaining their steadily increasing grip on the home market, endeavour to expand substantially into the export trade? It is their opinion, which I cordially endorse, that they should not attempt it on any large scale and what they do should be in quality wines only, and in so doing endeavour to increase the reputation of South African wines. To be of any permanent value to South Africa, the public must buy South African wines and spirits because they are good and not because they are cheap. I want to see South African wines marketed under their own names on their merits. The names of farms and districts are distinctive and should be used, and the measure of quality would be the reputation built up by the individual shipper. "Hock Type," "Port Type" and similar descriptions are, in my opinion, to be deplored, as they imply imitation, and as such are *ab initio* branded as inferior. Would an excellent liqueur like Drambuie have been as great a success if marketed as "Benedictine Type"?

The report was unanimously adopted.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

STRONG POSITION MAINTAINED

The annual general meeting of Johannesburg Consolidated Investment Company, Limited, was held on the 24th instant in Johannesburg.

Mr G. H. Beatty, who presided, said that the strong financial position of the company had been maintained. The book value of the assets amounted to £9,735,716. Provision for taxation and sundry creditors, deposit and current accounts of associated companies, together with dividend No. 50, amounted to £2,050,071, which, deducted from the total book value of the assets, left a surplus of assets over liabilities of £7,685,645.

The profit for the year, after providing for taxation, for all ascertained and estimated charges and for depreciation, amounted to £533,749, which was £3,060 higher than the profit for the previous year. With the balance of £230,896 brought forward, there was an available amount of £764,645, which was dealt with as follows: The dividend at the same rate as that for the preceding year, namely 2s. per share less United Kingdom income-tax, absorbed £395,000 and £150,000 was transferred to the reserve fund, leaving £219,645 to be carried forward.

THE GOLD MINING INDUSTRY

The war was now in its fourth year and a view of the gold mining industry *qua* gold mining industry might perhaps most clearly be shown by a comparison of results in the first six months of 1941 and the first six months of 1942. During the second period 33,930,000 tons were milled, an increase of approximately 840,000 tons; the recovery at 4.059 pennyweights per ton was .088 of a pennyweight lower, the working costs were only 3d. per ton higher, but the cost per ounce had advanced by 3.2s.; both the profit and the dividends were one million pounds less.

Comparatively very little money had been appropriated in either period for capital expenditure. Normally, with one million pounds less profit the State would collect substantially less in taxes, rents and other levies, but the special contribution in respect of working profits had been increased by 4 per cent. to 20 per cent. It was the increase which resulted in one million pounds less being paid in dividends for the six months. Those figures indicated that the people of the Union had a very much larger stake directly in the industry than the actual shareholder. The indirect value of the industry to the State was of course far greater than its direct interest, for in all some four million Europeans and natives were employed in the industry.

The aggregate results of the gold-mining companies of the group for the six months ended June 30, 1942, were tons crushed 6,607,000, yield 1,072,480 ounces, yield per ton crushed 3.246 pennyweights, working costs £6,444,720, working costs per ton 19s. 6d., working costs per ounce fine gold produced 120s. 2d., and gross profit, including sundry revenue £2,629,732.

The year 1941 had shown a decided improvement in the diamond trade in spite of lack of cutting facilities for the smaller quality. The De Beers Consolidated Mines were therefore able to resume the payment of dividends on the deferred shares and the Consolidated Diamond Mines of South-West Africa had paid a dividend on the ordinary shares. Recently there had been a considerable expansion in the cutting industry in Palestine, which had proved of special value to the trade. The demand for gem diamonds during the current year (1942) had so far continued on the 1941 level, but there had been a considerable increase in the demand for industrial diamonds, which were supplied to the Allies at pre-war prices.

The report and accounts were unanimously adopted.

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED (Incorporated in the Union of South Africa)

HIGH GOLD VALUES

DR. HANS PIROW ON OUTLOOK

Dr Hans Pirow presided at the annual general meeting of Blyvooruitzicht Gold Mining Company, Limited, held in Johannesburg on the 20th inst. Moving the adoption of the report and accounts, the chairman said that expenditure charged to capital account during the year under review had amounted to £345,963, of which shaft sinking development and equipment had absorbed £320,482, the remainder being in respect of sundry general items for the seven months up to the commencement of the milling operations.

For five months to the end of the financial year, milling operations had resulted in a loss of £35,117, and funds on hand at the close of the year had amounted to £106,340.

During the year under review a total of 15,919 feet of development had been accomplished, and the quantity of ore developed was estimated at 583,000 tons, valued at 14.8 dwt. per ton, over an assumed stoping width of 45 in. Area developed to date extended roughly 2,500 feet north and south of dip of reef, and 3,000 feet east and west on strike.

Reduction plant had been completed, and was operating satisfactorily. The plant was designed to form a portion of the larger plant which would be required when the second shaft had been sunk, and underground workings had been connected with it. At present, with only one shaft connected to underground workings, the number of persons that could be employed underground at any one time was limited, and no increase in tonnage milled could be expected until the end of the war, when additional capital would be required for sinking the second shaft.

TONNAGE MILLED

The tonnage milled was drawn from the development ends, and the average mill yield, plus pulp value of rock, sent to mill during the year, had been 7.141 dwt. per ton. A certain amount of sorting was done, and it was estimated that 8.86 per cent. of waste rock had been removed from ore sent to the sorting station. Reef development rock, however, contained a large proportion of barren lines which could not be sorted, and therefore the value of ore milled had been much below what would have been obtained had the ore been produced by the stoping area that was being developed.

At present, primary consideration was given to development of the mine, and it was very satisfactory that revenue received for gold recovered from reef development, had, since the beginning of June, been sufficient to meet all charges for development.

The cost per ton of ore produced by development was naturally much higher than the cost of obtaining ore by stoping operations would be, while the yield per ton was considerably less owing to a large percentage of waste rock, which must be carried in every development.

Gold recovered by small reduction works would not produce distributable profits, but it would reduce total capital expenditure which would otherwise have been required for the development of the mine. We were fortunate in that values exposed by development to date had been sufficiently high to enable profits to be earned, but should there be any marked decrease in those values, it was possible that expenditure on development would exceed revenue from gold.

WORKING DIFFICULTIES

As the company's mine was situated approximately fifty miles from Johannesburg, and was not near any large towns, unusually heavy provision for housing employees had had to be made, and during

the year it had been necessary to build six additional blocks of semi-detached houses, and a small recreation hall.

Difficulties experienced in obtaining essential materials had increased, and every effort was being made by the gold-mining industry as a whole to reduce consumption and to conserve existing stocks.

To ensure that mining supplies were used to the best advantage, an agreement had been entered into by companies in the industry whereby stocks, purchases, allocation, distribution and rationing of such supplies were controlled by a Mine Stores Department of the Transvaal Chamber of Mines, under the direction of the executive committee.

It had also been decided not to circulate to shareholders the usual quarterly reports, nor the report of the proceedings at the meeting. Copies of those documents could be obtained, however, on application to the head office in Johannesburg or to the London office.

The report and accounts were adopted.

NEW MODDERFONTEIN GOLD MINING COMPANY, LIMITED

(Incorporated in the Union of South Africa)

DR. HANS PIROW'S ADDRESS

Dr Hans Pirow, chairman, presided at the annual general meeting of New Modderfontein Gold Mining Company, Limited, held in Johannesburg on the 20th inst. In moving the adoption of the report and accounts, the chairman said that the total profit for the year had been £808,613. Dividends had absorbed £350,000, and provision for taxation had amounted to £446,272. Provision on account of outstanding liability in respect of miners' phthisis compensation had been £18,150.

Difficulties experienced in obtaining essential materials had increased, and every effort was being made by the gold-mining industry as a whole to reduce consumption and to conserve existing stocks. With that object in view, the company, in common with other companies in the industry, had curtailed its development programme since the beginning of the year. To ensure that mining supplies were used to the best advantage, agreement had been entered into by companies in the industry whereby stocks, purchases, allocation, distribution and rationing of such supplies were controlled by a Mine Stores Department of the Transvaal Chamber of Mines under the direction of the executive committee. It had also been decided not to circulate to shareholders the usual quarterly reports, nor a report of the proceedings at the meeting. Copies of these documents could be obtained on application to the head office in Johannesburg or to the London office.

DEVELOPMENT WORK

Development accomplished during the year had amounted to 29,662 feet, a decrease of 23,432 feet as compared with the previous year.

Payable ore developed during the year had amounted to 585,300 tons, valued at 2.8 dwt. per ton. That represented a decrease of 78,500 tons, and an increase in value of 0.2 dwt. per ton compared with the previous year.

Available ore reserve had been re-estimated at June 30, 1942, to be 4,799,300 tons, having an average value of 3.0 dwt. over a stoping width of 47.2 in., as compared with 5,207,300 tons of the same average value over a stoping width of 47.1 in. at June 30, 1941.

The price received for gold, and the rate at which normal income-tax had been payable by the company, had remained unchanged during the year. There had been, however, an increase in the special contribution which had been raised from 16 per cent. to 20 per cent. as from January 1, 1942.

A large number of the company's European employees was absent on military service. The report and accounts were adopted.

MODDERFONTEIN EAST, LIMITED

(Incorporated in the Union of South Africa)

MR. W. M. FRAMES'S REVIEW

The annual general meeting of Modderfontein East, Limited, was held in Johannesburg on the 19th inst. Mr W. M. Frames, who presided, moved the adoption of the report and accounts.

Commenting on the accounts, the chairman said that the total profit had amounted to £960,984. Dividends had absorbed £325,782. Provision for taxation had amounted to £481,243 and provision for lease consideration had been £134,318.

To ensure that mining supplies were used to the best advantage an agreement had been entered into by the company, in common with other companies in the industry, whereby stocks, purchases, allocation, distribution and rationing of such supplies were controlled by a Mine Stores Department of the Transvaal Chamber of Mines under the direction of the Executive Committee.

In conformity with the general policy of the gold mining industry, development had been curtailed during the last six months of the period under review in order to effect economies of essential materials and to conserve existing stocks.

At 25,641 feet development accomplished had shown a decrease of 14,475 feet compared with the previous year. Payable ore developed had been estimated a 1,112,560 tons of an average value of 3.6 dwt. per ton. Available ore reserve had been re-estimated at June 30, 1942, to be 7,167,800 tons with an average value of 3.6 dwt. over a stoping width of 42 in. The available reserve had shown a decrease of 29,800 tons compared with the previous year's figure, the average value and stoping width decreasing by 0.2 dwt. and 0.5 in. respectively.

During the year four Brown tanks had been added to the reduction plant. Two tube mills were also being installed, and when they were in operation it was expected that the consumption of steel balls would show a considerable decrease.

The price received for gold and the rate at which normal income tax was payable by the company had remained unchanged throughout the year. There had been, however, an increase in the special contribution which had been raised from 16 per cent. to 20 per cent. as from January 1, 1942.

In order to conserve essential materials it had been decided not to circulate to shareholders the usual quarterly reports nor a report of the proceedings at the meeting. Copies of those documents could be obtained on application to the head office in Johannesburg or to the London office. A large number of the company's European employees was absent on military service. The report and accounts were adopted.

MALAYALAM PLANTATIONS, LIMITED

The 21st ordinary general meeting of Malayalam Plantations, Limited, was held on the 25th inst. in London, Mr W. J. Welch (the chairman) presiding.

The following are extracts from the address of the chairman circulated with the report and accounts:—In many respects the year was a record one. After writing off the unusually heavy sum of £37,372 expended during the year on buildings, machinery, etc., and £6,352 on replanted rubber areas, the profits amounted to £376,612. Except for the unusually heavy expenditure on buildings, machinery, etc., the profits would have been the highest ever recorded by the company.

The total crop of manufactured tea of over eleven and a half million lbs. was the largest the company has ever harvested, though still much below the company's maximum capacity. The rubber produced totalled 6,248,473 lbs., and was only 100,000 lbs. short of our record crop.

The report was unanimously adopted.

CONSOLIDATED MAIN REEF MINES AND ESTATES, LIMITED

(Incorporated in the Union of South Africa)

DR. HANS PIROW'S STATEMENT

The annual general meeting of Consolidated Main Reef Mines and Estate, Limited, was held in Johannesburg on the 19th inst. Dr Hans Pirow, chairman, presided, and in moving the adoption of the report and accounts said that the total profit had amounted to £635,425. Dividends had absorbed £311,900 and provision for taxation had amounted to £301,293. Expenditure on capital account during the year, after allowing for sales of plant, had amounted to £21,864, but offset against that was the amount of £9,470 received in respect of freehold and township sales, leaving a net capital expenditure of £12,394. The main items were hoisting and shaft equipment and improvements to the west compound, where additional rooms had been built to house 840 natives and new offices had been provided for the compound staff.

The development accomplished during the year had totalled 102,190 feet, and increase of 1,338 feet compared with the previous year's figure. Payable ore developed had been estimated at 1,660,000 tons of an average value of 3.4 dwt. per ton. That represented a decrease of 494,700 tons compared with the previous year's figure, the value being 0.1 dwt. higher. Ore reserve had been recalculated at June 30, 1942, to be 9,826,900 tons of an average value of 3.5 dwt. over a stoping width of 58.3 in. Compared with the previous year the available reserve had shown a decrease of 737,100 tons, the average value and the stoping width being less by 0.1 dwt. and 0.7 inch respectively.

The price received for gold and the rate at which normal income tax had been payable by the company had remained unchanged throughout the year. There had been, however, an increase in the special contribution which had been raised from 16 per cent. to 20 per cent. as from January 1, 1942.

Difficulties experienced in obtaining essential materials had increased and every effort was being made by the gold mining industry as a whole to reduce consumption and to conserve existing stocks. With that object in view the company, in common with other companies of the industry, had curtailed its development programme since the beginning of the year. Further to ensure that mining supplies were used to the best advantage agreement had been entered into by the companies in the industry whereby stocks, purchases, allocation, distribution and rationing of such supplies were controlled by a Mine Stores Department of the Transvaal Chamber of Mines under the direction of the Executive Committee.

It had also been decided not to circulate to shareholders the usual quarterly reports nor the report of proceedings at the meeting. Copies of those documents could be obtained on application to the Head Office in Johannesburg or to the London office. A large number of the company's European employees was absent on military service. The report and accounts were adopted.

LEACH'S ARGENTINE ESTATES, LIMITED

The thirtieth ordinary general meeting of Leach's Argentine Estates, Limited, was held, on the 23rd inst., in London.

The following are extracts from the statement of the vice-chairman, Baron F. A. d'Erlanger, circulated with the report and accounts:—The profit on trading at £189,356 is an improvement of £12,063 compared with the previous period. The directors now recommended the payment of the balance of 3 per cent. on the preference stock, that there be set aside £6,223 to the funding certificate redemption fund, and the payment of the 6 per cent. non-cumulative dividend on the ordinary stock.

With regard to the 1941 sugar crop, the total amount sold was a little less than the previous year, but the average price obtained showed a marked improvement.

With regard to the 1942 sugar crop, the company's production has fallen to about 16,000 tons of sugar, but fortunately we had in hand at April 1, 1942, a fairly heavy carry-over stock, which, together with this year's production, should be sufficient to carry us through until the start of the 1943 crop.

The report was unanimously adopted.

NOURSE MINES, LIMITED

(Incorporated in the Union of South Africa)

MR. W. M. FRAMES'S STATEMENT

Mr W. M. Frames presided at the annual general meeting of Nourse Mines, Limited, in Johannesburg, on the 20th instant. In moving the adoption of the report and accounts, the chairman said that the total profit for the year had been £386,150. Dividends had absorbed £176,324, and provision for taxation had amounted to £194,804.

Provision on account of outstanding liability in respect of miners' phthisis compensation had been £9,021.

Net capital expenditure on equipment had amounted to £7,331, the principal items being additional tube mill and other equipment at the reduction plant, and hoisting equipment at number 3D incline. As a result of the installation of a new classification system and other alterations at the reduction plant, considerable improvement in the residue value had been effected. The average figure for the year had been 0.185 dwt., compared with 0.257 dwt. during the previous twelve months.

Development accomplished during the year had totalled 19,026 ft., a decrease of 10,040 ft. compared with the previous year's figure. Payable ore developed had been estimated at 386,800 tons of an average value of 4.4 dwt. per ton. The drop in the development footage was in conformity with the general policy of the gold-mining industry to curtail development programmes as much as possible in order to effect economies in the use of essential materials and to conserve existing stocks.

Further, to ensure that mining supplies were used to the best advantage, agreement had been entered into by the company, in common with other companies in the industry, whereby stocks, purchases, allocation, distribution and rationing of supplies were controlled by a Mines Stores Depart-

ment of the Transvaal Chamber of Mines under the direction of the executive committee.

ORE RESERVE

The available ore reserve, as re-estimated at June 30, 1942, had totalled 3,427,400 tons of an average value of 4.3 dwt. over an estimated stoping width of 48 in. Compared with the position at June 30, 1941, the available reserve had shown a decrease of 485,200 tons, the average value and the stoping width being unaltered.

The price received for gold and the rate at which normal income-tax had been payable by the company had remained unchanged throughout the year. There had been, however, an increase in the special contribution, which had been raised from 16 per cent. to 20 per cent. as from January 1, 1942.

In order to conserve paper stocks it had been decided not to circulate to shareholders the usual quarterly reports nor the report of the proceedings at the meeting. Copies of those documents could be obtained, however, on application to the head office in Johannesburg, or to the London office. A large number of the company's European employees was absent on military service.

The report and accounts were adopted.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE further decline in markings from the levels of recent weeks has again been accompanied by any corresponding movement in quotations. Prices, in general, continue to display marked stability, while recent earnings statements have occasioned many improvements in industrial equities.

The withdrawal of the 2½ per cent National War Bond issue 1949-51, and its substitution by a new loan redeemable 1951-53, provided the main item of interest in the gilt-edged market. The effect on prices, however, was negligible, except that 3 per cent Conversion loan 1948-53 was marked up slightly, with minor adjustments for earlier short-dated stocks. The announcement of the conversion offer, combined with the successful military operations in the Far East, occasioned a strong general advance in Australian issues. Apart from scattered support for European bonds, the foreign bond market was not very active. German loans were strong owing to

shortage of stock, the 7 per cent Potash stock forging ahead. Brazilian issues were quietly maintained, while some improvement occurred in Chinese stocks in mid-week. In the home rail market, junior issues reflected renewed support with small but persistent gains. Among the preference stocks, LMS and Berwick 4 per cent issues were firm. The payment of interest arrears on the Havana Terminal debentures raised the price 8 points, while the United of Havana issues were also marked up on the statement. Elsewhere in the foreign rail market occasional improvements were registered for a few Argentine stocks.

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(Incorporated by Royal Charter 1853)

CAPITAL (PAID-UP) - £3,000,000

RESERVE FUND - £3,000,000

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H. R. H. CHALMERS, General Manager.

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JOHN FORBES, Manager.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS -	£13,000,000
ASSETS EXCEED -	£77,000,000
CLAIMS PAID EXCEED -	£140,000,000

(1941 Accounts)

TERMS OF SUBSCRIPTION TO THE ECONOMIST

12 Months	-	-	-	£	s.	d.
6 Months	-	-	-	3	0	0
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Publishing Office:

Brettenham House, Lancaster Place, London, W.C.2

Telephone No.: Temple Bar 3316

Tin Supplies

Twelve months have passed since the publication of the last official tin production statistics. During the year ended October 31, 1941, world production of the metal, according to the Tin Research Institute, reached a total of 259,887 long tons, a record. Since then production is reported to have fallen, mainly in Malaya and the Dutch East Indies, and to have risen in producing countries still accessible to the Allies. In Bolivia the American Government last June increased the buying price for tin from 50 to 60 cents per lb., f.o.b. Chilean port; at the same time it raised the minimum of its purchases from 18,000 to 25,000 tons. In addition development loans have been granted by the United States to Bolivia, and a mission of technical experts has visited the Bolivian tin areas. In Nigeria labour conscription has been introduced to increase the labour force of the tin mines, and the fact that the Nigerian Electricity Supply Corporation, which supplies almost exclusively the tin mines with power, has increased its sales of electric power by 24 per cent on the year suggests that the increase in the labour force has led to an increase in production. In the Belgian Congo the Government, through the *Direction de la Production Minière de Guerre*, has taken an active part in developing production; in the majority of other extra-Pacific producing countries Government measures have also been introduced to stimulate output. During the year ended October 31, 1941, the countries still supplying the United Nations—exclusive of China—produced almost exactly 85,000 long tons of tin. This year their combined production will almost certainly be higher, although it is impossible to estimate accurately how large the increase will be.

It is likely that the increase in tin production will be sufficiently large to enable the United States, Great Britain and the British Empire to meet their essential requirements without serious withdrawals from stocks. Recently the United States War Production Board estimated tin consumption in that country in 1942 at 65,000 tons, that is roughly one-third less than in 1941. In this country a similar rate of curtailment would reduce requirements this year to just under 18,000 tons. Together with the relatively small requirements of the British overseas areas, therefore, a supply of some 90,000 tons would probably be large enough to meet this year's demand of the United Nations, exclusive of Russia. Before the war Russia's consumption amounted to about 15,000 tons per annum. According to a recent statement by a Chinese Government Department in London, China is now producing tin at the annual rate of about 17,000 tons; the bulk of this tin is not needed in China and could probably be sent to Russia via the North-West Highway. Russia's requirements may therefore tax the Anglo-American tin reserves to any great

extent. There remains the possibility of losses of tin in trans-shipment between the mining, refining and consuming areas. The United States Government-owned tin smelter at Texas City was started up on April 9, 1942, and is now in full production. Its annual capacity is to be extended to 74,000 short tons of fine tin before the end of this year, and a recent War Production Board statement indicated a prospective output of 40,000 tons in 1942. By producing at such a high rate the new smelter may have used up its ore reserve accumulated since the spring of 1941 by next summer. As the United States ore supply agreement with Bolivia, though modified recently, is reported to provide for the shipment of no more than 25,000 tons per annum, the smelter could not be operated at anything approaching full capacity after the exhaustion of America's stock of ore. A redistribution of ore supplies available to the United Nations may, therefore, become necessary before long. Such a redistribution would have to take place on a basis which exposes ore shipments to the minimum risk at sea. Instead of shipping Bolivian ore to this country and re-shipping part of it in the form of refined metal to the United States, more Bolivian ore may have to be treated at Texas City. Such a transfer may require an amendment to the ten-years' agreement between the Bolivian Patiño mining group and the British smelters.

Cotton Trade Wages

The wage negotiations between employers and trades unions in the cotton industry are continuing. The only section in which there has been agreement is that of card-room operatives and ring spinners; they have been granted an advance of 3s. 6d. a week for adults and 2s. 6d. a week for juveniles. It is understood that the same terms were offered by the Master Spinners' Federation to the work-people in the mule spinning mills, but these were rejected by the trades union officials, and there is deadlock in the negotiations. The application of weavers in the manufacturing branch of the industry for a basic wage of 9d. per hour, plus 50 per cent of earnings under the piece price lists, has also been refused by the Manufacturers' Association. The employers, however, have made another offer, details of which have not yet been announced. It is believed that the proposals relate to the wages to be paid to young people on leaving school and that increases are suggested for the lower paid workers in the weaving sheds. Opinion in Lancashire inclines to the view that to ensure an adequate supply of labour for the cotton industry after the war, the general standard of wages will have to be improved. The trades union officials are not prepared to discuss the reconstruction and variation of list rates until their members receive a rise in wages, which is claimed in spite of the relative stability of the cost of living index figure, on which increases have been based since the beginning of the war.

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

AUTHORISED CAPITAL - £50,000,000

ISSUED AND FULLY PAID-UP - £20,000,000

RESERVE FUNDS (STERLING) - £6,000,000

HONGKONG CURRENCY - £10,000,000

RESERVE LIABILITY OF SHAREHOLDERS - £20,000,000

Head Office HONGKONG,

temporarily transferred to

LONDON OFFICE, 9, Gracechurch Street, E.C.3.

Acting Chief Manager: A. MONTAGU

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

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THE CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

NOTICE IS HEREBY GIVEN that the Ordinary General Meeting of Members of The Consolidated Gold Fields of South Africa, Limited, will be HELD at THE CHARTERED INSURANCE INSTITUTE, 20, Aldermanbury, London, E.C.2, on Thursday, the 3rd day of December, 1942, at 12 noon, for the purposes following, namely:—

To receive and consider the Statement of Accounts and Balance-Sheet and the Reports of the Directors and Auditors thereon for the year ended 30th June, 1942; to confirm the dividends paid on the First and Second Preference shares; to sanction the declaration of a dividend on the Ordinary shares; to elect Directors and Auditors, and to transact the other ordinary business of the company.

If at the time appointed for the Meeting referred to in the above Notice it be found impossible or inadvisable to hold the Meeting at the time and place specified, NOTICE IS HEREBY GIVEN that the Ordinary General Meeting of Members of the Company will be HELD at 49 Moorgate, London, E.C.2, on Thursday, the 10th day of December, 1942, at 12 noon, for the purposes set out above.

Holders of Share Warrants to Bearer wishing to attend or vote at this Meeting must deposit their Warrants with the Company at the Registered Office in London, 49 Moorgate, E.C.2, not later than 27th November, 1942, together with a declaration on the form obtainable at that Office.

Dated this 24th day of November, 1942.

By Order of the Board,

R. CARR TAYLOR, Secretary.

Registered Office: 49 Moorgate, London, E.C.2.
Emergency Office: Motcombe House, Motcombe, near Shaftesbury, Dorset.

The fluctuations in the industrial market were largely compensatory, the undertone throughout remaining distinctly firm. Brewery shares fluctuated without trend, and, in a minor rally early this week, previous losses were more than recovered. Activity in tobacco shares was slight, but leading issues showed minor improvement. Recent results attracted considerable attention to the motor group, Standard, Austin and Rover all advancing. Comment on conditions in the aircraft industry had an adverse effect on quotations, De Havilland and Rolls-Royce, among others, declining. Lambert Bros. were prominent in a quiet heavy industrial group, and apart from some weakness in Cunard and Union-Castle, shipping issues were quietly maintained. Textile shares were stronger in mid-week, the largest gains being registered by Patons and Baldwins and Fine Spinners ordinary. Marks and Spencer rose sharply on mid-week demand, several other issues advancing in a strong section. Elsewhere, Murex were sold, but Eastwoods and Sudan Plantations were both in demand in the current week.

Conditions in the kaffir market became rather more active in mid-week, Blyvoors partly regaining an earlier loss, with several improvements in Far West Rand shares. West African mining issues attracted some buyers on the news from Dakar. Rubber shares were firm throughout, but in the tea market prices of leading issues advanced particularly strongly. Apart from the excellent war news, the major influence in the oil market was the Anglo-Iranian interim payment, on which the shares jumped 3s. Leading issues were firm, while the VOC payment brought the recent fall to a halt.

COMMODITY AND INDUSTRY NEWS

Cotton Industry Difficulties.—During the past two weeks there has been evidence of delivery difficulties. This state of affairs cannot be described as general, but in some branches more difficulties are being experienced in securing adequate supplies of goods and demand exceeds output. The difficulties are said to be due largely to the increasing requirements of the Ministry of Supply and other Government Departments, and to some extent to the fact that the British Government is now responsible for clothing and equipping the American Forces in this country. In the circumstances, the planning Department of the Control is now busier than ever, and although efforts have been made to obtain more production, success is almost entirely dependent upon labour supply. The Controller has been able to arrange for a number of weaving sheds to be restarted, although most of them have only a limited number of looms. Should the needs of the Services increase further, some inroad may have to be made upon the production which is now allowed for clothing the civilian population.

Steel Prices.—The Minister of Supply has issued the Control of Iron and Steel (No. 26) Order, 1942, which comes into force on November 24th and amends certain of the prices established under the Control of Iron and Steel (Nos. 15-20 and 22-23) Orders, 1941-2. The amendments include an increase in price of 6 per cent for general steel castings, but otherwise they are of a minor character. In addition, the Order establishes controlled maximum prices for certain iron and steel and allied materials hitherto not covered, notably special quality steels for special purposes, cemented carbide tool tips, medium plates rolled in a sheet mill, pit props and ferro molybdenum grinding powder.

Christmas and New Year Holiday.—Attention has been called by the Ministry of Labour and National Service to the announcement made in February, 1942,

"FINANCIAL NEWS" INDICES

1942	Total Bargains in S.E. List	Corres. Day 1941	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Nov. 19.....	4,826	3,965	92.6 134.3
" 20.....	4,576	3,968	92.5 134.3
" 23.....	5,858	4,655	92.6 134.3
" 24.....	4,861	3,641	92.8 134.3
" 25.....	4,841	3,402	92.9 134.3

* July 1, 1935=100. † 1928=100. 80 Ordinary shares, 1942; highest, 93.5 (Nov. 9); lowest, 74.8 (Mar. 23). 20 Fixed Int., 1942; highest, 135.6 (Apr. 29), lowest, 132.2 (Jan. 5). ‡ New basis in S.E. List. § Old basis.

New York

THE influence of favourable war reports on Wall Street was fully offset by fairly general selling for tax purposes. Profit taking restricted spasmodic efforts to advance, but "peace" issues were supported, gaining up to a point and more.

STANDARD STATISTICS INDICES

(1935-36=100)

WEEKLY AVERAGES

	1942	Nov. 4, 1942	Nov. 11, 1942	Nov. 18, 1942
	Low April 29	High Oct. 21		
347 Industrials.....	62.4	77.5	77.2	78.4
32 Rails.....	58.44	75.46	75.4	75.6
40 Utilities.....	53.1	67.4	65.5	67.3
419 Stocks.....	60.8	75.36	75.3	76.4
Av. yield %.....	8.40	5.95	6.01	5.91

* 50 Common Stocks. (c) Nov. 4. (d) June 24.

with regard to holiday breaks in industry. It is hoped that conditions will permit of two days' holidays being taken during the forthcoming Christmas-New Year season, either Friday and Saturday, December 25th and 26th, or Friday and Saturday, January 1st and 2nd.

Farm Workers.—Farmers who have not yet sent to their Agricultural Executive Committee application forms for deferment of workers born in 1923 and the first half of 1924 are warned that they must do so immediately in order to retain men whose services are essential on their farms. Failure to apply for deferment in time will mean that such men will be available for calling up for military service.

Blankets and Rugs.—The Board of Trade have issued the Household Textiles (Manufacture and Supply) (No. 2) Directions (SR and O. No. 2344), which provide that wool blankets (other than national price-controlled blankets), the manufacture of which has been prohibited since July 9th, shall not be supplied by manufacturers from December 1st. It also prohibits (except under licence) the manufacture of travelling rugs, pram rugs and similar rugs from December 31st. The supply by manufacturers of these articles is prohibited from March 1, 1943. The Board is considering arrangements for the supply of utility pram rugs.

Domestic Pottery.—Domestic Pottery is now available in relatively larger quantities than in the earlier part of the year. A special appeal was made in September by the President of the Board of Trade for an increase in output. In October, the production of cups was 30 per cent. higher than in May and June.

Egg Control.—An amendment has been made to the Eggs (Control and Prices) (Great Britain) Order, reducing wholesale prices of shell eggs by 3d. per 120 eggs from November 23rd. Retail prices remain unchanged. Registered domestic poultry

DAILY AVERAGE OF 50 COMMON STOCKS

Nov. 12	Nov. 13	Nov. 14	Nov. 16	Nov. 17	Nov. 18
96.8	96.1	96.0	95.3	94.0	94.6

1942 High: 97.5, Nov. 9. Low: 75.2, April 28.
Total share dealings: Nov. 19, 503,000;
Nov. 20, 659,000; Nov. 21, 311,000;
Nov. 23, 632,000; Nov. 24, 636,000;
Nov. 25, 565,000.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
November 28, 1942	16,451,403	16,122,372	115,849
To the Public.....	114,417	114,417	115,849
By Permission to Deal.....	1,419,228,137	1,365,620,855	
Particulars of Government issues appear on page 685.			

Destination (Conversions Excluded)			
Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1942.....	1,335,939,009	77,147	78,315
1941.....	1,361,344,720	4,206,135	70,000
Nature of Borrowing (Conv. Excl'd.)			
Year†	Deb.	Pref.	Ord.
1942.....	1,328,623,333	983,562	6,976,576
1941.....	1,354,071,337	527,394	11,022,124

† Includes Government issues to Nov. 27, 1942, only.

Above figures include all new capital in which
permission to deal has been granted.

* Includes Government issues to Nov. 17, 1942, only.

† Above figures include all new capital in which permission to deal has been granted.

Shorter Comments

A Correction.—On page 645 of last week's issue, in the table at the end of the Kaffir Note, the yield on the 10s. shares of New Modderfontein was inadvertently shown as nil. This should, of course, read £18 10s. 4d. per cent. at the current price of 13s. 6d.

keepers are now permitted to sell preserved eggs of their own manufacture to persons who have surrendered shell egg registration to them; the price must not exceed 2s. a dozen. Other sales of preserved eggs are still prohibited.

Perambulator Prices.—The Board of Trade, after consultation with the Central Price Regulation Committee, has made the Perambulators (Maximum Prices and Charges) Order (S.R. and O. No. 2322), controlling the price at which all children's perambulators, push chairs and folders may be sold. A manufacturer may charge the aggregate of his costs and sale, together with an amount equal to 6 per cent of such costs, or the relevant amount specified in the first schedule to the Order, whichever is the lower amount. A wholesaler dealing in perambulators described in the schedule is not permitted to add to the cost of the articles, but is entitled to a discount from the manufacturer of not less than 7½ per cent. A retailer's maximum price for models not described in the first schedule, is the price paid to the manufacturer or wholesaler, plus 50 per cent. Manufacturers may only supply models specified in the first schedule to the Order, except under licence.

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

	Nov. 19, 1942	Nov. 20, 1942	Nov. 23, 1942	Nov. 24, 1942	Nov. 25, 1942
Crops.....	119.9	119.9	119.9	119.9	119.9
Raw materials.....	172.7	172.7	172.7	172.7	172.7
Complete Index.....	143.7	143.7	143.7	143.7	143.7
	Mar. 31, 1937	Aug. 31, 1939	Nov. 25, 1941	Oct. 1942	Nov. 1942
Crops.....	147.9	92.2	114.7	118.9	119.9
Raw materials.....	207.3	122.9	170.6	172.7	172.7
Complete Index.....	175.1	106.4	139.9	143.3	143.7

* Highest level reached during 1932-37 recovery.

GOVERNMENT RETURNS

For the week ended Nov. 21, 1942, total ordinary revenue was £39,178,000, against ordinary expenditure of £108,393,000, and issues to sinking funds of £140,000. Thus, including sinking fund allocations of £7,997,847, the deficit accrued since April 1st is £1,916,685,000 against £1,907,753,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	April 1 to Nov. 22, 1941	April 1 to Nov. 22, 1942	Week ended Nov. 21, 1942	Week ended Nov. 21, 1941
ORDINARY REVENUE					
Income Tax.....	913,000	267,927	339,412	12,856	9,024
Sur-tax.....	78,000	18,255	16,924	550	490
Estate, etc.,	15,000	8,523	8,740	752	920
Duties.....	90,000	57,247	58,767	1,280	1,660
Stamps.....	15,000	13,658	13,740	458	606
N.D.C.....	425,000	147,091	213,891	5,413	6,950
E.P.T.....	1,000	227	290	10	...
Other Inld. Rev.	152,200	512,928	655,494	21,269	19,650
Total Inld. Rev.	1,522,000	1,354,071	1,354,071	1,354,071	1,354,071
Customs.....	438,295	233,181	298,049	7,054	10,774
Excise.....	366,705	207,900	271,000	3,200	4,100
Total Customs & Excise.....	805,000	441,081	569,049	10,254	14,874
Motor Duties.....	34,000	12,154	6,047	...	...
Canadian Govt. Contribution.....	225,000	...	195,265	...	...
P.O. (Net Receipts).....	10,000	11,700	12,100	600	400
Wireless Licences.....	4,300	...	2,050	...	...
Crown Lands.....	800	610	620	...	...
Receipts from Sundry Loans.....	5,000	2,862	2,097	422	...
Miscell. Receipts.....	21,000	46,641	70,684	1,112	3,832
Total Ord. Rev.	2,627,100	1,027,976	1,513,406	33,235	39,178
SELF-BALANCING P.O. & Broadcast.	102,523	60,750	64,200	1,750	1,800
Total.....	2,729,623	1,088,726	1,577,606	34,985	40,978

Expenditure	Estimate, 1942-43	April 1 to Nov. 22, 1941	April 1 to Nov. 22, 1942	Week ended Nov. 21, 1942	Week ended Nov. 21, 1941
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	325,000	184,025	215,481	655	763
Payments to N. Ireland.....	9,500	4,593	4,695	...	...
Other Cons. Fund Services.....	7,800	4,129	3,955	6	...
Total.....	342,300	192,747	224,131	661	763
Supply Services.....	495,320	273,615	319,762	81,750	107,630
Total Ord. Exp.	837,620	466,362	543,893	82,411	108,393
SELF-BALANCING P.O. & Broadcast.	102,523	60,750	64,200	1,750	1,800
Total.....	940,143	527,112	608,093	84,161	110,193

After decreasing Exchequer balances by £110,151 to £2,675,120, the other operations for the week (no longer shown separately) raised the gross National Debt by £72,184,333 to £15,989 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Nov. 20th and Nov. 26th. (Figures in brackets are par of exchange.)
United States. \$ (4.861) 4-02½-03½; mail transfers 4-02½-03½.
Canada. \$ (4.861) 4-43-47; mail transfers 4-43-47.
Switzerland. Francs (25.221) 17-30-40.
Sweden. Krona (18.159) 16-85-95.
Argentina. Peso (11.46) 16-95½-17-13; mail transfers 16-95½-17-15.
Dutch West Indies. Florin (12.11) 7-58-62; mail transfers 7-58-64.
Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-105-30.
Panama. 44-02-04; mail transfers 4-02-04.
Brazil. 83-64½ cr. (buying).
Uruguay. 7-6597 p. (buying).
Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta (25.221) 40-50 (Official rate) 46-55 (Voluntary rate). Turkey. Piastres (110) 520. Italy. 71.25 lire.

Finance

NET ISSUES (£ thousands)	
P.O. and Telegraph.....	250
Overseas Trade Guarantees.....	37
War Damage Act.....	2,686
	2,973

NET RECEIPTS (£ thousands)	
Overseas Trade Guarantees.....	33

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts. Bank of England	
1941				
Nov. 22	975-0	Not available	Not available	3593.2
Aug. 22	975-0	1668.3	254.4	695.5
Sept. 5	975-0	Not available	Not available	3684.8
" 12	975-0	"	"	"
" 19	975-0	"	"	"
" 30	2,593.3	225.6	5.5	760.5
Oct. 3	975-0	Not available	Not available	3794.4
" 10	975-0	"	"	"
" 17	980-0	"	"	"
" 24	990-0	"	"	"
" 31	1000-0	1730.5	225.7	5.2
Nov. 7	1010-0	Not available	Not available	"
" 14	1020-0	"	"	"
" 21	1030-0	"	"	"

TREASURY BILLS

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1941					
Nov. 21	75-0	158.2	75-0	20.0	33
Aug. 28	75-0	163.6	75-0	20.2	31
Sept. 4	75-0	166.1	75-0	19.10	44
" 11	75-0	157.3	75-0	19.10	40
" 18	75-0	145.3	75-0	20.4	27
" 25	75-0	134.7	75-0	19.11	55
Oct. 2	75-0	152.7	75-0	20.12	33
" 9	80-0	164.8	80-0	20.0	47
" 16	85-0	181.2	85-0	19.11	27
" 23	85-0	172.7	85-0	20.0	44
" 30	85-0	175.2	85-0	20.0	32
Nov. 6	85-0	185.3	85-0	20.0	31
" 13	85-0	170.7	85-0	20.0	60
" 20	85-0	178.6	85-0	20.0	40

On Nov. 20th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 33 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £80 millions of Treasury Bills are being offered on Nov. 27th. For the week ending Nov. 26th, the banks will be asked for Treasury deposits to a maximum amount of £50 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Oct. 15.....	4,376	2,128	8,006	15,661
" 20.....	4,198	1,887	5,925	7,066
" 27.....	4,329	1,762	5,743	11,297
Nov. 3.....	4,239	1,749	4,384	9,002
" 10.....	4,366	1,922	11,323	6,179
" 17.....	4,320	2,114	5,186	13,737
" 24.....	...	...	5,025	9,985
Totals to date.....	653,921*	509,571*	920,284†	675,494‡

* 156 weeks. † 99 weeks. ‡ 59 weeks.
Including series "A." Including all Series.
Interest free loans received by the Treasury up to Nov. 24th amounted to a total value of £51,851,785. Up to Oct. 31st, principal of Savings Certificates to the amount of £85,372,000 has been repaid.

Market Rates.—The following rates remained unchanged between Nov. 20th and Nov. 26th:

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. p. rupee) 17½-18½ d. Belgian Congo. Francs 176½-1. China. National \$ 2½-3½ d.

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

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 3 cent p.m.-par. Canada. 1 cent p.m.-par. Switzerland. 3 cents p.m.-par. Sweden. 3 ore p.m.-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Nov. 20th and Nov. 26th:—Bank rate 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

PROVINCIAL BANK CLEARINGS

(£ thousands)

	Week Ended	Aggregate from Jan. 1 to
	Nov. 22, 1941	Nov. 21, 1942
Working days	6	275
Birmingham	2,187	103,959
Bradford	1,578	100,173
Bristol	1,948	93,276
Hull	547	30,156
Leeds	694	46,655
Leicester	717	37,686
Liverpool	8,137	256,790
Manchester	10,487	540,532
Newcastle	1,339	61,779
Nottingham	313	20,506
Sheffield	705	32,701
Southampton	74	4,367
12 Towns	28,726	1,328,580
Dublin	7,196	276,183

* Nov. 15, 1941, and Nov. 14, 1942.

OVERSEAS BANK RETURNS

BANK OF CANADA

Million Can. \$

	Oct. 15, 1941	Sept. 23, 1942	Oct. 7, 1942	Oct. 14, 1942
ASSETS				
Reserve: Gold	22.5	0.9	0.8	0.8
Other	668.1	896.9	920.8	925.9
LIABILITIES				
Note circulation	444.5	618.1	635.7	642.5
Deposits: Dom. Govt.	28.9	32.4	34.8	42.2
Chartered banks	208.3	225.4	228.9	229.5

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

U.S. FEDERAL RESERVE

Million \$'s

	Nov. 21, 1941	Nov. 5, 1942	Nov. 12, 1942	Nov. 19, 1942
12 U.S.P.R. BANKS				
Resources				
Gold certifi. on hand and	20,557	20,554	20,563	20,549
due from Treasury	20,829	20,802	20,809	20,809
Total cash reserves	259	233	232	242
Total U.S. Govt. secs.	2,184	4,551	4,658	4,695
Total bills and sec.	2,119	4,576	4,684	4,718
Total resources	24,398	26,671	26,918	27,201
LIABILITIES				
F.R. notes in circ.	7,579	11,302	11,380	11,447
Excess int. bank res.	3,690	2,120	2,400	2,490
Mr. bank res. dep.	12,941	12,211	12,492	12,822
Govt. deposits	15,305	13,935	14,111	14,173
Total deposits	24,398	26,671	26,918	27,201
Reserve ratio	91.0%	82.4%	81.6%	81.2%
BANKS AND TREASURY				
Monetary gold stock	22,778	22,739	22,741	22,741
Treasury & bank currency	3,228	3,359	3,375	3,375
LIABILITIES				
Money in circulation	10,535	14,312	14,408	14,465
Treasury cash and dep.	2,782	2,621	2,468	2,549

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	Sept. 15, 1941	Aug. 31, 1942	Sept. 7, 1942	Sept. 14, 1942
ASSETS				
Gold and stg. exch.	17.31	28.02	28.48	27.99
Advances to State	19.46	29.49	28.40	28.31
Investments	3.82	4.15	4.15	4.15
LIABILITIES				
Bank Notes	22.34	26.55	26.85	26.74
Demand liab. : State	9.02	12.49	11.12	10.40
Bankers and others	8.77	21.44	21.74	22.06
Reserve to stg. liab.	45.57	46.43	46.43	47.35

SOUTH AFRICAN RESERVE BANK

Million £'s

	Oct. 3, 1941	Sept. 2, 1942	Oct. 9, 1942	Oct. 16, 1942
ASSETS				
Gold coin and bullion	55.11	66.93	67.66	68.46
Bills discounted	1.70	1.01	1.03	1.05
Invest. and other assets	45.02	61.32	62.70	62.62
LIABILITIES				
Notes in circ. (incl. 100s)	27.32	34.00	36.62	35.17
Deposits: Government	4.67	6.90	4.07	3.55
Bankers	58.21	79.79	80.66	83.60
Others	5.97	4.86	5.20	5.85
Reserve ratio	56.7%	53.6%	53.4%	53.5%

CENTRAL BANK OF TURKEY

Million Turkish pounds

	Aug. 25, 1941	July 11, 1942	July 18, 1942	Aug. 22, 1942
ASSETS				
Gold	116.7	138.6	138.6	138.6
Clearing and other exch.	46.7	56.9	54.9	54.2
Treasury bonds	137.1	135.0	134.5	134.5
Commercial bills	272.2	331.8	332.5	332.4
Securities	53.8	55.1	55.1	55.3
Advances	170.6	258.0	257.9	258.0
LIABILITIES				
Notes in circulation	498.1	604.0	600.5	609.5
Deposits	163.5	198.1	199.6	198.1
Clearing and other exch.	31.0	26.1	25.9	24.6

COMPANY RESULTS (November 11 to November 25, 1942)

Company	Year Ended	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Dis- tribution	Appropriation					Preceding Year			
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net- Profit	Ord. Div.	
														£
Breweries, &c.														
Atkinson's Brewery	Sept. 30	110,305		59,065	198,328	11,950	24,000	10	50,000	+ 23,115	118,667	69,967	10	
Bass, Ratcliff & Gretton	Sept. 30	1,560,942	55,318	525,820	1,398,603	68,000	447,128	20	35,000	- 39,308	1,574,417	593,059	20	
Bristol Brewery (Georges & Co.)	Sept. 30	590,465		218,554	376,158	21,958	163,056	18	10,000	+ 1,460	568,262	233,953	18	
Campbell (Archibald), Hope & King	Sept. 30	45,083	750	24,507	39,901	3,850	10,500	17	10,000	+ 157	54,412	25,375	17	
Ind. Coops & Allsopp	Sept. 30	1,986,008	134,880	429,886	902,725	61,391	265,128	22	100,000	+ 3,367	1,681,410	438,051	22	
Mitchells & Butlers	Sept. 30	1,564,562		497,406	1,066,364	30,000	339,408	21 & 7	125,000	+ 2,998	1,495,736	488,736	21 & 7	
Moors' & Robson's Breweries	Sept. 30	187,394	6,500	57,099	104,996	4,452	39,788	25	10,000	+ 2,859	136,713	61,982	25	
South African Distilleries & Wines	June 30	191,066		150,845	155,106	41,250	110,000	10		+ 405	214,066	152,275	10	
Stroud Brewery Co.	Sept. 30	267,659	9,957	67,857	84,369	4,936	42,936	17	20,000	+ 231	238,252	62,075	17	
Warwicks & Richardson's	Sept. 30	86,536		61,536	95,815	15,000	48,000	16		- 1,464	88,945	62,945	16	
Financial, Land, &c.														
Brazilian Warrant Agency & Finance	Dec. 31	91,608	1,911	54,258	128,430	21,875	18,750	8	15,000	- 1,367	48,861	26,769	8	
Rubber														
Abaco (Selangor)	Mar. 31	5,879		553	2,390					+ 563	8,527	4,816	12	
Aberfoyle	Mar. 31	3,912	250	960	6,095					+ 960	9,775	5,333	10	
Bajoe Kidool	Mar. 31	51,364		Dr. 15,221	29,999					+ 15,221	31,509	14,978	6	
Banteng (Selangor)	Apr. 30	6,631	300	63	6,493					+ 63	13,193	5,155	5	
Beaufort Borneo	Apr. 30	11,649	871	3,668	10,242					+ 3,668	18,882	17,111	4	
Broome Plantations	June 30	17,880		2,969	14,460				3,000	- 31	65,557	24,434	15	
Incarnati Estates	June 30	82,051	10,000	28,984	33,544	6,750	10,000	10	10,000	+ 2,234	80,102	20,672	5	
Kuala Reman	Mar. 31	11,803		Dr. 420	1,282					+ 420	47,474	9,124	4	
Malaya General Co.	Aug. 31	6,882	1,000	4,014	13,688		9,745	5		- 5,731	54,874	40,330	20	
Malayalam Plantations	Mar. 31	428,933		99,801	201,717		97,396	10		+ 2,405	346,554	251,049	10	
Padang Jawa	Mar. 31	6,827		1,646	2,768					+ 1,646	7,289	3,994	6	
Prang Besar	Mar. 31	24,178		3,570	14,993					+ 3,570	48,698	8,644	10	
Sandae	Mar. 31	6,093		1,196	8,537				1,000	+ 196	16,229	7,512	4	
Sengat	June 30	8,596	91	Dr. 146	1,083					+ 146	25,846	10,136	6	
Serom	Sept. 30	6,219	294	Dr. 4,008	1,419					+ 4,008	20,849	2,904	NI	
South Perak	June 30	2,448		416	1,644					+ 416	17,803	2,844	5	
Straits Plantations	Mar. 31	23,261		Dr. 26,012	267					- 26,012	11,349	8,679	2	
Sungei Getah	Mar. 31	6,307		1,843	10,503					+ 1,843	8,487	3,374	8	
Sungei Matang	Dec. 31	9,368		2,443	4,132					+ 2,443	13,501	5,865	7	
Sungei Tiram	Mar. 31	2,016	524	Dr. 6,343	Dr. 4,289					+ 5,843	9,520	2,179	6	
Tebing	Mar. 31	13,264		Dr. 305	4,820					+ 305	17,586	5,196	5	
Trusts														
Bilton (Percy) Investment	June 30	20,320		3,860	6,042	3,025	900	3		+ 68	30,274	3,662	3	
Colonial & General Investment	Sept. 30	10,461		4,903	13,967	4,589				+ 314	13,244	6,459	1	
East of Scotland	Sept. 30	67,934		16,295	40,466	9,062	7,500	6		+ 267	65,061	16,251	7	
Finance & Industrial	June 30	4,227		2,913	3,275					+ 2,913	3,872	1,600	NI	
Investors' Mortgage Security	Sept. 30	198,183		68,303	90,557	28,132	35,634	9		+ 4,537	202,366	79,552	10	
Second Industrial	Sept. 30	39,766		23,049	62,353	9,676	11,875	5		+ 1,499	44,686	27,845	5	
Scottish National	Sept. 30	103,800		26,218	69,110	15,625	8,333	4		+ 2,260	105,866	30,178	4	
Second Scottish Investment	Oct. 5	232,468		67,629	136,624	49,584	10,762	7	25,000	- 17,711	233,203	73,846	7	
Second Scottish National	Sept. 30	74,166		18,478	52,422	11,765	5,491	3		+ 1,222	74,412	21,473	3	
Viking Investment	July 31	64,477		61,188	108,697	181	24,587	15	30,000	+ 4,420	66,339	63,129	15	
Other Companies														
Aire Wool Co.	Aug. 31	12,396		10,801	19,313	3,000	6,875	12		+ 926	13,036	11,438	12	
Birrell Limited	July 18	32,345	5,000	14,727	42,791	14,000				+ 727	32,878	21,135	NI	
Braby (Frederick) & Co.	Sept. 30	309,631	30,441	71,278	132,804	13,510	46,940	10	10,000	+ 828	347,083	68,866	10	
Brett's Stamping Co.	Aug. 8	26,543	8,376	15,360	27,890	600	7,500	25	5,000	+ 2,860	25,826	15,345	15	
British Overseas Stores	July 31	48,970		Dr. 23,182	23,321		10,192	5		- 33,354	44,371	32,580	NI	
British Platon Ring Co.	July 31	47,768		47,768	80,520	4,000	30,000	20	10,000	+ 3,768	49,195	49,195	20	
Brooks Wharf & Bull Wharf	June 30	54,507		6,441	17,238	4,450				+ 1,991	57,150	7,754	NI	
Burdon Brick Co.	June 30	1,448	500	Dr. 1,423	4,555	850				- 2,273	7,117	1,928	NI	
Carr & Co.	Sept. 30	70,620	10,000	53,941	58,923	19,500	52,500	17		+ 2,941	65,582	46,291	8	
Crabtree Electrical Industries	Oct. 31	66,068		63,790	83,408	8,750	4,000	10	3,000	+ 2,540	65,875	33,672	17	
Dancer & Hearn Bros.	July 31	10,217		7,067	9,354					+ 67	6,400	3,250	10	
Empire of India & Ceylon Tea	Dec. 31	112,612	7,000	35,101	45,675	10,950	23,688	6		+ 463	69,055	39,625	6	
Fairfield Shipbuilding &c.	June 30	97,694		85,195	123,709	15,000	12,500	10	50,000	+ 7,695	101,715	89,215	10	
Foster Clark Limited	Sept. 16	108,528		85,277	146,093	7,500	70,000	20	2,000	+ 5,777	129,613	81,944	20	
Genatosan Limited	June 30	128,853	15,050	68,537	83,173	660	12,500	25	50,000	- 623	131,377	25,088	25	
Goodacre (William) & Sons	June 30	74,132	3,975	16,718	24,424	14,050				+ 2,668	44,782	23,998	NI	
Hay's Wharf	June 30	157,700		157,700	252,731	89,400	40,000	4		+ 28,300	8,191	8,191	NI	
Heenan & Froude	Aug. 31	157,780		18,718	30,505		16,875	15	5,000	+ 3,157	7,828	27,411	15	
Herrburger, Brooks	Sept. 30	23,265	2,660	2,134	26,632		2,081	2		+ 205	211,580	46,481	NI	
Horley (Joshua) & Sons	Sept. 30	194,332	50,000	54,731	122,480	27,526	27,526	16 & 17	25,000	+ 420	36,113	11,831	9-70	
Industrial Newspapers	Sept. 30	14,283		13,982	18,245	6,875	4,687			+ 14,484	46,816	19,767	NI	
Instone (S.) & Co.	June 30	44,049		14,484	128,278		20,000	8	8,000	+ 1,210	113,361	25,622	8	
Kirkless Limited	June 30	146,673	15,000	23,790	36,689	12,000	14,730	120		+ 185	39,059	26,011	120	
Kolok Manufacturing Co.	Aug. 31	80,439	1,978	26,545	36,140	10,312	84,375	15		+ 2,146	138,480	111,480	15	
Lambert Brothers	June 30	128,833	5,000	96,833	135,448	2,686	7,558	6		+ 257	27,418	10,321	6	
Laws Chemical Co.	June 30	33,839	2,047	10,501	12,301	5,588				+ 177,331	17,733	17,733	NI	
Leach's Argentine Estate	Mar. 31	189,338		64,627	84,627	30,000	30,000	6	24,627	+ 1,894	49,860	2,665	5	
Leathens (Dwight) Limited	June 30	47,726	3,450	25,331	33,445	14,062	9,375	5	3,000	+ 280	13,528	11,468	5	
Lendon & Colonial Investment	Sept. 30	13,064		11,944	27,684	3,752	4,932	5		+ 17	16,914	5,466	18	
Mini Mini (Nyasaaland) Tea	June 30	13,799	1,340	5,361	6,875	6,412	5,344	18		+ 197	58,340	13,074	10	
Morland & Inukey	July 31	58,704	12,084	7,499	8,851		890	10		+ 14,266	53,605	20,518	NI	
North British Rayon	June 30	54,130	21,397	34,516	59,521	20,250				+ 57	9,685	Dr. 87	NI	
Palace & Derby Castle	Oct. 31	10,509	1,500	33,356	38,448		9,885	9	5,000	+ 8,960	51,426	42,710	6	
Phillips & Powis Aircraft	Dec. 31	41,706		3,783	7,363		9,088	8		+ 175	48,597	3,618	8	
Scottish Assam Tea	Dec. 31	277,716	155,000	75,696	124,203	23,500	50,000	5	50,000	+ 1,946	299,366	168,507	NI	
Silver Line Limited	Dec. 31	33,839	26,331	78,451	103,718	7,478	20,114	6		+ 50,759	85,509	85,509	NI	
Singer Motors	Aug. 31	364,892	5,441	16,820	20,285	14,950			2,500	+ 1,262	10,115	3,771	NI	
Smith (D.) & Sons	June 30	15,166		1,262	31,590					+ 2,143	26,826	Dr. 7,532	1	
Steaua Romana (British)	Sept. 30	84,875		58,648	168,458	13,000	43,500	14		+ 3	100,161	60,398	NI	
Walmseys (Bury)	June 30	26,358	8,851	8,916	9,189	2,850	3			+ 6,066	17,612	Dr. 14,149	NI	
Yorkshire Weaving & Proofing	Nov. 1, 1942, to Nov. 25, 1942....	No. of Cos.	83	11,446	615	3,963	8,030	777	2,420	694	72	11,064	4,334	
Totals (1940's)														
Jan. 1, 1942, to Nov. 25, 1942....														
1,754 346,591 31,390 152,678 252,131 38,259 90,200 18,018 + 6,201 344,874 161,200														

REPORT BY THE COURT OF DIRECTORS OF

The ROYAL BANK of SCOTLAND

To the ANNUAL GENERAL COURT OF PROPRIETORS, on Wednesday, 25th November, 1942

The Directors now submit to the Proprietors the annexed Abstract Statement of the Affairs of the Bank at the Second Saturday of October, 1942, with relative Profit and Loss Account, certified by the Auditors.

The Net Profits of the year, after providing for Income Tax, National Defence Contribution and all bad and doubtful debts, amounted to £516,386 10 2

Dividend for half-year paid at Midsummer at the rate of 17 per cent. per annum, required £361,250 0 0

Less Income Tax 180,625 0 0

It is now proposed to pay a Dividend at Christmas for the second half-year at the rate of 17 per cent. per annum which will require £361,250 0 0

Less Income Tax 180,625 0 0

There has been written off expenditure on Bank Buildings and Heritable Property £180,625 0 0

Contributed to Staff Pension Fund 30,000 0 0

And added to Inner Reserves against Contingencies, the Balance of 49,013 13 4

76,122 16 10

£516,386 10 2

All the Bank's Investments are valued in the annexed State of Affairs at or under the prices ruling at the date of the Balance.

The Directors during the past year established a Staff Pension Fund and transferred to the names of Trustees for the administration of that Fund the sum standing at the credit of the Pension Reserve Fund along with a further sum from the Bank's Inner Reserves.

The Directors record with deep regret the death of Sir Hugh Shaw Stewart, of Greenock and Blackhall, Baronet, K.C.B., who had been an Extraordinary Director from 1904.

In virtue of the powers conferred upon them by the Royal Bank of Scotland Act, 1873, the Directors elected The Right Hon. William Young Darling, C.B.E., M.C., Lord Provost of Edinburgh, as an Ordinary Director. Mr. Darling holds office until this Annual General Court only, but is eligible for re-election.

The Governor, the Deputy-Governor, the Extraordinary Directors and the Senior Ordinary Director (Mr. Tulloch) all retire at this time, and are eligible for re-election.

Auditors also fall to be appointed for the ensuing year, and Mr. George James Gregor, C.A., and Mr. S. W. Murphy, C.A., offer themselves for re-election.

By Order of the Court of Directors,

WILLIAM WHYTE,

Cashier and General Manager.

ABSTRACT STATE OF AFFAIRS, at 10th October, 1942

LIABILITIES.	
1. Deposits with accrued Interest and other Credit Balances	£89,199,983 0 5
2. Notes in Circulation	6,357,373 0 0
3. Drafts Outstanding	1,097,254 14 5
4. ACCEPTANCES AND ENDORSEMENTS of Foreign Bills and other Obligations	2,960,755 3 11
5. CAPITAL	£99,615,366 0 0
6. RESERVE	4,125,965 5 10
7. Proposed Half-year's Dividend payable at Christmas (less Income Tax)	180,625 0 0
TOTAL LIABILITIES	£108,171,956 12 5

ASSETS.	
1. GOLD AND SILVER COIN, BANK OF ENGLAND NOTES, NOTES of other Banks, and CASH with Bank of England and other London Banks	£12,994,494 19 7
2. GOVERNMENT TREASURY DEPOSIT RECEIPTS	8,891,271 4 1
3. GOVERNMENT SECURITIES and Securities guaranteed by British Government	7,000,000 0 0
4. BRITISH AND COLONIAL GOVERNMENT SECURITIES, BANK OF ENGLAND STOCK and CORPORATION STOCKS	39,341,610 15 11
5. BRITISH PRITIES	1,306,954 19 6
6. DORRHOUGH & Co's Bank Ltd. Shares—1,562,500 "A" Shares of £5 each, £1 paid, and 312,500 "B" Shares of £1 each.	598,393 2 8
7. WILLIAMS & Company £1,060,000 Stock	3,093,750 0 0
8. Glyn, Mills & Co. (of which £1,500,000 British Government Treasury Bills)	2,800,000 0 0
9. Glyn, Mills & Co. on Cash Credit and Current Accounts	2,841,915 10 2
10. BELLS discount	24,274,678 10 10
11. ADVANCES	977,999 9 8
12. BUILDINGS (partly yielding rent)	2,960,755 3 11
13. LOANS on	361,599 6 6
14. BANKING	186,133 0 5
15. BANK BUILDINGS	565,000 0 0
16. PROPERTY	38,041,831 10 8
TOTAL ASSETS	£108,171,956 12 5

PROFIT AND LOSS ACCOUNT

Expenditure on Bank Buildings and Property written off	£30,000 0 0
Contributions to Staff Pension Fund	49,013 13 4
Dividend for half-year, paid at Midsummer, less Income Tax	180,625 0 0
Dividend for second half-year, to be paid at Christmas, less Income Tax	180,625 0 0
Inner Reserves against Contingencies	76,122 16 10
Balance, being free Res or undivided Profits, carried forward	4,125,965 5 10
	£4,642,351 16 0

AUDITORS' REPORT

As Auditors appointed by the Proprietors of THE ROYAL BANK OF SCOTLAND, we have checked the Cash on hand at Head Office, Glasgow and London (City Office) verified the cash with London Bankers, the Securities for money at call and short notice, the Government Securities and other Investments, and examined the details of the other Assets and of the Liabilities set forth in the foregoing Abstract State of Affairs; and we now certify that in our opinion said Abstract State is a full and true Balance Sheet, properly drawn up, and exhibits a true and correct view of the state of the Bank's Affairs, as shown by the books, at 10th October, 1942.

Edinburgh, 6th November, 1942.

GEO. JAMES GREGOR, C.A., Auditor.
S. W. MURPHY, C.A., Auditor.

D. SPEDD, Chief Accountant.

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SHILLING

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Two-Way Traffic

THREE episodes have lately underlined the stresses and strains of alliance. The Russian people, before the Allied descent upon Africa, were calling impatiently on Britain for a Second Front. Some people in the United States (as described by a Special Representative on page 762) are calling rather sternly for a statement of Britain's colonial aims. And, in recent weeks, the British people themselves have been calling on the American Government, after the deal with Darlan, to make plain the objectives of its foreign policy. This cross-questioning is natural and healthy. It is useful as well as human that, say, a question from America about the future of the British Empire should be answered by one from Britain about the future of American tariffs. Only if the process is made part of campaigns to serve the interests of particular individuals or groups does it offer danger. It is the only means by which great and different nations in alliance can arrive at a common understanding. Nor is it a reproach to Britain that the demand for a statement of British war aims should be made a plank in progressive platforms in the United States. A great and unequalled opportunity now confronts this country. When Mr Willkie asks for a definite programme to better and free the British colonies, he is pushing against a door which is already ajar; he is not asking for the reversal of British colonial policy, but for its hastening along the unique path which it has already set for itself. Nor is the chance less at home, where it is aptly symbolised by the

Beveridge Report, with all its implications. Only in a country so compact, so well-knit, so united, so developed and so civilised as Britain is it practical to look for an immediate programme to realise in the measurable future social security, full employment and economic expansion, deliberately contrived. There is no reason to look askance at the expectations which are placed in this country on both sides of the Atlantic. The doubt is rather about the capacity of Britain's rulers to take the chance.

The questioning is not one-way. A strange series of events has unexpectedly brought forward Darlan as an ally and the representative of re-belligerent France. Just as the British Empire appears to trouble the Americans, so has this odd turn in American diplomacy troubled people here. All the arguments from military expediency are recognised, but a number of queries have inevitably been raised. Was the association the result of a policy which had been carefully laid ever since Admiral Leahy left his ambassadorial post in Vichy and became Chief of Staff to the American President last June? If so, where were its limits? Did it possibly involve a programme of bargains with reactionary elements elsewhere in Europe? Or was this just a situation which had grown unplanned from the very understandable determination of the American commanders to set military necessity above all other considerations? These are the questions which have been making the east-west passage. An encouraging reply has meanwhile come from

Edinburgh, 6th November, 1942.

GEO. JAMES GREGOR, C.A., Auditor.
S. W. MURPHY, C.A., Auditor.

D. SPEDD, Chief Accountant.

Darlan himself. At a press conference, under American auspices, he has protested that his only aim is to co-operate in the defeat of Germany and Italy; that he has no personal ambition; and that the French people, when liberated, will be free to choose their form of government. This statement will not end the questioning. It does not explain the sweeping claims which Darlan had previously made for his power and authority—outside as well as inside the territories where French collaboration has been so immediately helpful to the Allied venture in Africa. Nor does his plea that the Germans had him "by the throat" explain the violence of such attacks on Britain as his order of the day to Madagascar last May. The adherence at last to the Allied cause of the interned French ships at Alexandria is indeed welcome. But was it not forecast by a British Admiral on the spot before the conversion of Darlan? And may it not be due to the recognition of hard facts, now that the Axis is on the run in the Mediterranean, rather than to the magic of Darlan's summons? More light upon all these happenings, and on their implications for the future, will be looked for from across the Atlantic.

There must indeed be answers to all these questions, and none need weaken the bonds of alliance. Nor should it be forgotten that there are many even more immediate problems to be dealt with by the Allies. The future of the British Empire and the future of Europe are vitally important for the future of the world. But more important still is the prospect of victory, which depends crucially upon the ability of the United Nations, jointly and severally, to make the most productive possible use of all their resources for war purposes. The announcement that the United States, Britain and Canada have set up a Combined Steel Committee to obtain every possible ton of steel from existing Allied plant facilities next year is timely. Mr. Lyttelton's announcement to the Commons on Wednesday that definite arrangements have been reached with the United States for 1943, on a combined shipbuilding programme, the use of American ships on British account and the firm allocation to Britain of American munitions, materials, components and aircraft, marks an important advance. The minimum import programme laid down for next year will be assured by these

decisions; and the assistance of American materials and equipment will increase the British effort by a third.

In 1942, the machinery of Anglo-American collaboration was set up and put in motion. In 1943, it must be used to the full to bring "the maximum impact" against the enemy. Arrangements and agreements are not in themselves achievements. Responsibility rests upon each ally to make the best and most economical use, in the common plan, of its manpower, plant, materials and food. In Britain, a committee has been set up by Sir Stafford Cripps to survey the use of labour in aircraft factories. In the United States, there are still major problems to be solved in the economical employment of both manpower and materials, and in the division of responsibility and direction between Service and civilian chiefs. These are the questions of first weight, because upon the practical ability of the United Nations to make effective the year-old decision to pool their resources for the war depends all else; and the process of inter-Allied questioning and mutual criticism can still give as much aid in winning the war as it clearly has to contribute to winning and keeping the peace.

It would be very wrong either to write off this two-way traffic of questions or to exaggerate the evidence it gives of Allied divisions. The state of mind of the American, British and Russian peoples is just about what it might be expected to be. With all the temptations the Americans have to be self-centred and nationalistic, it is remarkable how much international-mindedness there is among them: with all the temptations they have to treat Britain as a poor relation, it is remarkable how much they treat this country as a partner. Similarly, with all the temptations the suffering people of Russia have to look cynically and sceptically at their more fortunate Allies, it is remarkable how far they have emerged from their old protective isolationism. And, with all the temptations of the British people, after their fight alone, to look with some bitterness and resentment at the doubts cast upon their integrity by more belated entrants into the struggle, it is remarkable how ready they are to recognise the vast contributions which their Allies are making. The concept of the United Nations will become more and more real as these questions are flung frankly across the oceans—but only if they are given answers no less frank.

The Financial Instrument

THE days are gone when debates on war finance were inquests on the rate of war production as measured by the rate of Government expenditure. This fact reflects the high degree of mobilisation that has now been achieved. Attention has been transferred instead to the financial system itself. There is a body of opinion which believes that wartime experience has confirmed the charge that the present banking structure and methods of public finance are inefficient, obstructive and detrimental to the common weal. The demand is made for a Royal Commission to disclose the "facts" on which a radical recasting of the system can be based; for a new Bank Charter Act, on the centenary of the first, to put an end to the banking "monopoly"; and for the clipping of bank profits meanwhile by a reduction in the cost of short-term borrowing by the Treasury.

These views, which were less evident in Wednesday's debate on war finance than was expected, cannot be accepted, not because they are heretical, but because they are erroneous. Admittedly, the experience of war economy has made plain certain vital truths, formerly too little regarded, about the nature and objects of financial policy. But, it has in no significant way discredited the existing financial instruments. If there have been deficiencies, that is, apart from the not inconsiderable fallibility of bankers and civil servants, they have been in the means pursued, not in the machinery employed to pursue them. The real discovery of wartime is not that finance is itself a humbug, but that finance is only a means

to an end. The end is the distribution of the nation's real income in such a way as, on the one hand, to secure a maximum output of goods and services from the physical resources available, and, on the other hand, to ensure a minimum of necessities for every individual and family in the community. Three years of war needs have forced the makers of policy to regard their task in terms of the real resources of manpower, plant and materials available, and not simply in terms of budgetary ways and means. The discovery has been made, as Mr Pethick-Lawrence reiterated in Wednesday's debate, that the rôle of finance is merely to make certain, by its influence on the distribution of the national income between different claimants, that financial considerations are never an obstacle to programmes which are physically possible. It is by the use of this discovery that the post-war programmes to make the most productive use of the nation's available resources can be fashioned. It should be possible to work out from statistical knowledge of the real national income, and its optimum distribution between investment and consumption, a policy for full employment; and it should be impossible to repeat the disaster of seventeen years ago, when, by the return to the gold standard at a conventional parity for purely financial reasons, resources of men and machinery were deliberately thrown out of employment, and the real national wealth was correspondingly curtailed. In other words, the basic truth which has of necessity been recognised in wartime conditions is that a nation's wealth consists, not in its monetary means or financial

devices, but in its real possessions of manpower, machinery, materials and technical skill.

Nevertheless, the discovery that finance is an instrument and not an arbiter, a servant and not a master, does not mean that finance is unimportant. The crucial point which war more than any other experience underlines is that the multiplication of money is not the multiplication of goods. Except when there is a considerable proportion of real resources already idle, the inflationary way is always wrong. In wartime or in peacetime, inflation is, above all, the way not to distribute a nation's real resources. The consequences of an inflationary scramble for goods and services, with prices and incomes in a ceaseless mutual pursuit, are always unfair, indiscriminate and inefficient. This is fully realised in wartime, when the two tasks of reserving resources for planned war production and of guaranteeing to every citizen a minimum supply of necessities are paramount. With the addition of physical controls upon the distribution of resources, by means of raw materials priorities and allocations and the rationing of foodstuffs and clothing, the orthodox methods and institutions of British finance, for all their creaking at times, have secured a signal triumph during the war in warding off inflation. This was generally recognised in the Commons on Wednesday. But the struggle is not over. Any further appreciable expansion in earnings might still give rise, not to the galloping inflation of classical theory and historical experience, but perhaps to a sufficiently strenuous pressure on costs and prices to upset the equilibrium which so far has been preserved. Moreover, the war will end, maybe quite suddenly. There will be a vast pent-up demand for goods, and a large volume of postponed purchasing power in the shape of savings, post-war credits and gratuities. If it is possible to maintain the controls on physical consumption which have been maintained during the war, the danger of inflationary developments will be minimised. But there will be a strong psychological revulsion from the wartime regimentation of consumption, both on the part of industry and the public; and there is everything to be said for lessening the prospective danger of post-war inflation by the utmost possible restraint upon the indiscriminate piling up of monetary claims—to be presented just when the needs of reconstruction will require the same kind of priorities in the use of resources as war economy. Moreover, a wartime policy, which can build up income levels with impunity because of wartime controls, may pay too little heed to the commercial dangers of an inflated structure of costs and prices in world competition when the war is over. So far, the story has been one of success; but this is no reason for ignoring the risks that may be run in the post-war future.

The way is open for the use of financial means to assist in the task of securing the most productive use of the nation's resources. This is the lesson of war economics, and not any demonstration that banking is an obstructive monopoly maintained by private vested interests, a charge which is sufficiently denied by the fact that, throughout the banking system, it is the Government and not the

bankers which has the power to call the tune. The attack on the cost of short-term borrowing, even though the gross cost to the taxpayer of borrowing a given sum in this war has been, as Sir Kingsley Wood pointed out on Wednesday, only a third of what it was in the last war, is an example of this belief. The argument is that Bank rate was at the present level of 2 per cent for some seven years before the outbreak of war, and was for part of that period at any rate accompanied by short-loan and discount rates of about half the present figures. Why, it is asked, should the Treasury be forced to pay twice the rates it paid before the war for its floating debt borrowing? It is pointed out that the level of short-loan rates and, therefore, of discount rates, is dictated among the banks. "I spy monopoly" is the conclusion. Actually, the conclusion is wrong. In the first place, the present agreed rates have the consent of both the Treasury and the Bank of England, though this may not be sufficient reason for accepting them. The real point is that the question of what are the proper and reasonable rates for the Government to pay on floating debt borrowing should be discussed, not in relation to the status of the banks, but as part of the general problem of the structure of interest rates. In the course of three years, the present structure has settled down and acquired a cohesion. The range of interest rates, from the ½ per cent on bank deposit accounts to the 1 per cent on money market loans, the 1 1/32 per cent on Treasury bills, the 1½ per cent on six months Treasury deposit receipts, the 2½ per cent on Post Office Savings accounts and medium term Government loans and the 3 per cent on longer term loans, suggests no lack of balance of a disproportionate height in the case of the shorter rates. Here is the nicely aligned structure of the Three Per Cent War; and it would be difficult to tamper with it at one point without making drastic changes elsewhere. If, for example, the critics had their way, and the bill rate came down to ½ per cent, with ¾ per cent as the TDR rate, the banks would inevitably have to cut deposit rates; and the result would be a rush of funds from the banks to the Post Office Savings Banks, a movement which would leave the Government out of pocket. If this, in turn, were countered by reducing the Savings banks rates, there would be a movement of funds into the even more expensive National Savings Certificates.

It is on these lines that this and similar problems must be judged. They are again and again misjudged because they are thought of in terms of vested interests and not in terms of financial facts. Bankers have sometimes been and still are, as foolish and shortsighted and hidebound as most. So have some Treasury officials. This affords no ground for the present root-and-branch campaign, for the whole field of finance, including the volume of credit, is already under effective public control. The critics are right when they argue that there must be no return to the financial "dictatorship" of the old days when narrow and short-sighted views of finance impeded the full use of national resources. But they are wrong to suppose

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that these impediments arose from the character of Britain's financial institutions. In fact, they arise from wrongheadedness, from a wrong attitude and a wrong policy. If the lessons of the war are properly read, the right policy and the right attitude should be forthcoming after the war. Finance will be regarded as an important means

Electors and Elected

THE report of the Vivian Committee on Electoral Machinery (Cmd. 6408) comes at a time when public interest in reconstruction problems is at its height. If there is to be a far-reaching programme for social and economic reform, people are asking themselves by whom and by what means will it be carried out? Is there any way of making sure that this time the post-war Parliaments and Ministries will be able and willing to translate the nation's wants and needs into constructive action? There is a widespread understanding that the real test of representative government in this country lies just ahead.

The Vivian Committee was limited by its terms of reference to considering

whether for effecting the purposes of the present system of electoral registration improved methods and machinery can be devised . . . and to examine the technical problems involved in any scheme of redistribution of Parliamentary seats by way of preparation for consideration of the principles on which any scheme should be based.

Its findings are somewhat tentative, though attention is drawn to the existence of a great many defects in the present electoral machinery. The Committee was asked to have special regard "to the circumstances likely to obtain in the period following the termination of hostilities." It has not ruled out the possibility of a wartime election and suggests methods by which such an election could be held, if necessary. But it records its emphatic disapproval of a wartime election. With this view there will be wide agreement. The technical difficulties would be enormous; and whatever view may be taken about the present political truce, the undoubtedly unrepresentative nature of the current Commons or the character of the existing coalition, it must be admitted that to hold a general election in the middle of the war would almost certainly be hazardous and unprofitable.

But the necessity for the speediest possible return to democratic politics, and for a fresh Parliament composed of competent and representative men and women, remains very urgent. The possibility of an election very shortly after the war should be regarded as both desirable and expedient. The Vivian Committee bases its recommendations on the assumption that there will be such an election. The administrative difficulties will still be considerable. Population movements, due to mobilisation, industrial transference and evacuation, have been abnormal in the last two years. By the end of 1941, the number of civilian adults living in different constituencies from 1939 was in the order of 5 millions, or roughly one-sixth of the electorate. The present electoral register, which is based on a qualifying period between two fixed dates, is "exceptionally exposed to the disfranchising consequences of heavy population movements"; and in its place, the Committee proposes a scheme for "continuous registration," with a two months' residence qualification, which would secure that no elector is removed from the register of one constituency without being previously entered on the register of another. The Committee rightly emphasises the importance of enabling members of the armed forces to vote. Large numbers of men may still be overseas, and arrangements for them, as well as for men of the Merchant Navy, to vote by proxy must be made in advance.

When it comes to the redistribution of Parliamentary seats, the Committee is on more controversial ground. The last redistribution took place in 1918. Since then, the distribution of population has materially altered, the

to a still more important end—the full employment of Britain's resources. And, by international agreement on the problem of post-war exchanges, international finance may similarly come to be regarded, and used, as the means to a still larger end—the full employment of the physical resources of all the world.

franchise has been extended to women and two decades of peace and three years of war have brought about changes in the country's social structure. It is clear that the present distribution of seats is not in keeping with the requirement laid down by the Speaker in 1917, that "each vote recorded shall, as far as possible, command an equal share of representation in the House of Commons." The report shows that, according to the 1917 criterion, by 1939, 119 constituencies had ceased to discharge this function; 87 no longer justified their existing representation, and 32 had so increased as to require theirs to be doubled or in some cases trebled or quadrupled. By 1941, this disproportion had further increased, and the 119 had become 164. The position seems to be worst in the London area. Thus John Parker represents some 168,000 electors in Romford, while Sir Percy Harris in South-west Bethnal Green represents only 27,000.

In order to correct these anomalies and to guard against future maldistribution, the Committee advocates the establishment of a permanent Statutory Commission, to keep the state of constituencies under regular review. This is necessarily a long-term proposal, since a full redistribution would have to be based on stable population conditions, which are not likely to obtain until some time after the end of the war. The majority of the Committee therefore favour a partial redistribution on the 1939 basis; but a minority make the reservation that a partial redistribution might prejudice full redistribution later.

While a redistribution of seats may be regarded as a necessary prerequisite of securing fair representation, it must not be used as an excuse for postponing an election as soon after the war as practicable. Quite apart from the maldistribution of seats, the present House of Commons is singularly unrepresentative. It is old and tired; it is now in its eighth year, and even in 1936 the average age of its Members was 50. Most of them were elected to prevent a war and not to conduct one or to deal with its aftermath. The by-elections have maintained the status quo. Of 90 held between October, 1939, and July, 1942, Government candidates, mostly of the old sort, were returned in all but four. Mr Churchill has appealed for the preservation of national unity "in making the peace . . . to enable this country to recover from the war and, like one great family, to get into its stride again." The leader of the Liberal Party has also asked for the continuation of the political truce for perhaps three years after the war. But this is surely indefensible. For over ten years, not three, the old two-party system upon which the vitality and usefulness of Parliamentary politics depend has been in abeyance. Large numbers of the electorate have never had an opportunity to vote. No one now under the age of 28 has ever voted in a general election; if the war were to end in, say, two years' time, and national unity is maintained for another three, it would make the effective franchise age 33.

It is true that there are dangers in an election immediately after the war. The dangers of a khaki election, like that of 1918, have often been stated. But it is inevitable that the first election which this coalition Government faces should be in some measure a coupon election. The point is that the sooner it takes place the sooner a return to the vigour and clarification of open party politics can begin. The main issues before the electorate at postwar elections will be the peace settlement and domestic reconstruction. Each party will claim responsibility for victory, and each will announce a pro-

gramme of social reform. It is significant that already all three parties are taking the Beveridge Report to their bosom, and it is being said in Westminster that it can be seen which Members do not intend to seek re-election from their attitude to the report. The bewildered elector, who may be voting for the first time, or who has not voted for so long that he has forgotten how to, may be asked to choose between parties which, as far as he can see, stand for identical policies, and there is a danger that the party with the most powerful loudspeakers will get his vote. All this is true. But the elector will soon learn. And the sooner the parties have to plead for his suffrages, the sooner the real cleavages of opinion and policy, between sectionalism and the common weal, between arid doctrine and social realism, between stagnation and enterprise, will become evident enough for him to make a proper choice.

There is no doubt that the average individual has become dissatisfied with party politics and has tended to pin his faith on outside individuals like, say, Cripps, or even Beveridge. The low proportion of electors polling at by-elections, and the fact that Independent candidates have polled nearly a quarter of all the votes cast for the Government, are sufficient evidence. The experts at the

Conservative Central Office and at Transport House will have to work overtime to find ways and means of countering this electoral apathy and disgruntlement with party machines. Above all, they may be driven to revise their methods of selecting candidates. Most of all, good candidates are needed, for without good candidates there cannot be good Members. The two-party system is fundamental to British parliamentary life. It is because of these broad groups of men and measures, each ready in turn to take up the burden of office, that the King's Government can be carried on. Without them, there would be many splinters but no bundles, and the vast task of modern administration would fall into arrears. The *raison d'être* of the great number of MPs is that they belong to one or other political party. By the open statement of opposing views on crucial questions, frankly stated as they never have been for a decade, the citizen's right to choose both policy and policy-makers can be maintained. It is certain that, while the partnership of parties evolved in the stress of war must continue so long as the nation is in danger, the indefinite prolongation of the present unholy alliance would not fit in with the maintenance of healthy democracy in the British style after the war.

NOTES OF THE WEEK

The Basis of Battle

Steel remains the most important single item in the modern war chest. The setting up by the United States, Britain and Canada of a Combined Steel Committee "to squeeze every ton of steel" out of the existing plant facilities of the three countries is an important move in the arrangements that have been made in Washington (as described in an article on page 754) to integrate the industrial war effort of the Allies in 1943. In the past twelve months, it has not proved easy to balance Allied supplies and requirements of ore, scrap, iron and steel. The entry of the United States into the war meant a heavy reduction in the shipments of American steel to Britain upon which the British war production programme depended; and in the United States the process of finding ways and means of making the best use for war purposes of the steel available has been complicated and protracted. In Britain, the past twelve months has seen a further marked improvement in the use of domestic resources; all three elements, the output of ore, the collection of scrap and the production of iron and steel, have gone up. Correspondingly, however, war requirements have mounted, and the position is still strained; it was not the least important part of Mr Lyttelton's vital mission to the United States to find out the scale and character of American steel supplies to Britain in 1943. In the United States itself, the problem is still one of priorities and allocation. The right administrative technique for securing that steel is applied first and foremost to the most essential purposes has proved difficult to work out, not only because of the competition for supplies between war and civilian industries, but also because of the competing demands of the war industries themselves. To secure a right balance in the flow of steel to the different branches of the war programme has proved an obdurate task; it has been admitted, for instance, that, for a period, steel went to the making of tanks which could more usefully have been used in the making of ships to carry tanks. The solution of these administrative problems, which are part and parcel of the wider American problem of securing effective central direction over all the war programmes, is a necessary condition for the success of the new Committee.

The Committee's Task

The Combined Steel Committee is a fact-finding body. Its seven members represent the American War Production Board, the British Ministry of Production, the Canadian Department of Munitions and Supply, and the Anglo-American Combined Raw Materials Board and Combined Production and Resources Board. Its task is to look at the productive capacity and munition-making facilities of the United Nations as a single unit; to collect information

about the production of ore, scrap, iron and steel, and the requirements of the various countries; and so to enable the position to be kept under continuous review by the Combined Production and Resources Board and the Combined Raw Materials Board. An important part of its work will deal with technical matters. The recent United States Steel Mission to this country found marked differences in the methods of production and use in operation in the two countries; and it is imperative that the highest standards of technique should be made uniform throughout the pooled capacity of Allied industry. The task of securing the utmost economy in consumption is technical as well as administrative. The scarcest steels are the highest in grade, and these should only be used when it is quite impossible to substitute the lower grade metal which is more plentiful. The United Nations have vastly more materials of nearly every sort than Germany, and vastly more productive capacity. But it is still possible to claim that, because of the economy forced upon Germany by its straitened circumstances, German industry obtains more munitions per ton of materials available than the much better endowed Allies. One way to win the war quickly is to make this definitely untrue; and success in doing so will depend, not merely on joint arrangements to collect information, to co-ordinate technique and simplify specifications—urgent though these tasks undoubtedly are—but also upon the ability of the various countries, jointly and severally, to devise directive machinery which will be effective in enforcing programmes of work and distribution to derive the utmost possible quantity of finished munitions from the supplies and capacity available.

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Relief for the Freed

Last week the House of Lords discussed the relief of Europe after the war. Rightly, Viscount Cecil insisted on four requirements: the accumulation of stocks, the earmarking of transport, the arrangement of finance, and, above all, the setting up of a central international authority to bring all plans and preparations together. For the Government, Viscount Cranborne admitted that preparations had not yet reached this advanced stage. Estimates of their requirements have been collected by an Allied committee from the various Allied Governments. Consultation is going on for the devising of a joint plan of action; and it is expected that the various combined war boards, for food, materials and shipping, will be important agencies in the final scheme. At present, the danger is undoubtedly that too much work will be done in parallel and too little in concert. Since 1940, when Britain, then fighting alone, assumed responsibility for accumulating stores to supply freed Europe, the Leith-Ross organisation has been at work collecting information, devising ways and means, and ear-

marking supplies. Now, with the United States as a bel-ligerent, it is plain that the major responsibility for relief and rehabilitation will rest upon the resources of that country. Governor Lehman has been appointed to direct United States relief and rehabilitation in the reoccupied countries, and he has joined in the discussions with Allied Governments. Meanwhile, the Allied Governments themselves have inevitably put this problem first in their concern. Some have appreciable financial resources, while others have not. The suggestion has been made that those with money should use it to buy and earmark supplies for their stricken countries. Piecemeal procedure on these lines would be unfortunate. It might well lead to competition, and some resentment, between the various Allied Governments, and clash with the work of the Leith-Ross and Lehman organisations. There is only one right principle on which relief can be organised—a principle of priorities according to need, based upon the prompt supply to every country of sufficient food and goods to raise every member of their population to at least subsistence level. The Leith-Ross organisation has actually worked out a method of determining minimum requirements by a system of "points rationing," based on differences in climate, privation and other factors. Such a plan could only be applied by a single organisation including both the supplying nations and the Allied Governments. In the first instance, differences in financial status are irrelevant. The need is to apportion supplies as and where they are most required; and the central feature of the joint plan, which should be produced with the utmost promptitude, will be the allocation of ships with an overriding priority to carry supplies to the re-occupied countries.

The President's Representative

President Roosevelt has appointed Mr William Phillips as his "personal representative to serve near the Government of India." Mr Phillips, who is now serving in London, was United States Ambassador in Rome, and ranks high among American professional diplomats. His appointment to Delhi probably justifies neither the high hopes of American influence upon the Indian problem which have been expressed in some quarters nor the fears which have been murmured in others about American interference. For one thing, his appointment is not a novelty. Over a year ago, an American mission was established in Delhi, and its second head, Colonel Louis Johnston, was also the "personal representative" of the President. Mr Phillips differs from his predecessors because of his high diplomatic record and, more significantly, because he has been given the "personal rank of Ambassador." President Roosevelt has straightly denied that any plan or proposal for an Indian settlement is being conveyed by Mr Phillips. In the circumstances, it would be strange if one were. Mr Phillips will have the important duty of seeing for himself the facts of the Indian situation, and conveying them to his Government. No task could be more important. And his appointment can be welcomed as evidence of the high importance which President Roosevelt gives to the Indian question, not only because of the frequently ill-informed agitation which is going on in the United States, but also because of the significance of India's future for the future of all the United Nations.

French Flux

Pétain's reply to the Führer came a month after the publication of Hitler's letter to him; the long delay is an indication of the German pressure which must have been brought to bear upon Pétain in the meantime. But the reply will hardly satisfy Berlin. True, the letter is worded very humbly; Pétain "bows to decisions" and speaks of collaboration. But, at the same time, he stresses the "painful repercussions" of the second German occupation, and insists that "collaboration can only bear fruit under the authority of a Government enjoying full freedom of action." He reminds Hitler of his most recent promise to this effect in a way which almost invites the inference that this promise, too, has already been broken. Pétain's main concern is the reconstruction of the French army under Rundstedt's supervision. His persistence in the attitude of semi-neutral collaboration, hopeless as it is, is too obvious to please the Germans. They would prefer an open alliance to the Axis on the part of Vichy. Not even Laval,

who has violently reiterated his desire for a German victory, has gone as far as this. His speech betrayed uneasiness in the face of internal opposition. "You have known (he said) a Laval who was a legendary parliamentary figure; it is a new Laval that you see before you to-day." But the metamorphosis is somewhat unreal; and the French sense of humour will easily detect the familiar parliamentary intriguer even when buskined as a French Führer. No new political force in French society stands behind the "new" Laval. And when Laval thunders that "France cannot rise again if she stays in the mud or if she relies on treason or cowardice," Frenchmen are bound to realise that he has drawn Vichy's portrait perfectly thereby. Meanwhile, M Truchu, the Mayor of Paris, has disclosed that preparations have been in progress for Pétain's return to the capital. But the much heralded reconstruction of the Government, as well as the birth of the *Parti Unique*, seems to have been delayed by internal discord. And the scope of the resistance inside France has been reflected by the reported arrests of M Deloncle, one of the fascist leaders, M Marin, the leader of the old parliamentary Right, and M Jouhaux, the head of the old Trade Unions.

Strategy and Politics

General de Gaulle's speech last week at a lunch arranged by the Anglo-American Press Association of Paris, which coincided with the opening of the secret debate on Admiral Darlan, was marked by its dignity and restraint. The General indulged in no recrimination; he mentioned no personalities, but called upon France and the French people as the only possible arbiters in the issue. He posed a number of fundamental questions. Was not this a people's war in which leadership of the people was a more important factor than military generalship? Should not strategy be directed and inspired by policies consistent with the wishes of the masses? Ought not a State to co-ordinate its military and political strategy? Was not the utmost unity between the Allied nations essential on the moral as well as on the material plane? These sentiments accord with statements by President Roosevelt, Mr Churchill, Mr Welles, Mr Eden and others—and with the declared policy of the Allies as expressed in the Atlantic Charter. General de Gaulle cannot be accused of adding to the British Government's embarrassment in face of the American arrangement with Darlan.

Beveridge and the Beanstalk

Sir William Beveridge continues his campaign of giant-killing with unabated vigour. Having defined the conditions under which the giant Want can be eliminated, he is turning his mind more and more to the problems involved in the killing of the still greater giant, Idleness. In a speech in Manchester last week, he laid down five conditions necessary for the fulfilment of Assumption C of his report—the maintenance of employment. He reminded his listeners that the figure of 1½ million unemployed, or an average rate of unemployment of 10 per cent, was regarded as a maximum; and he expressed confidence that unemployment could be kept within narrower limits, and unemployment insurance become what it was originally intended to be, a temporary benefit to tide over periods between two jobs. Unemployment had been virtually abolished during the war, and it was unthinkable to return to mass unemployment in the future. The corollary of his first condition—a national plan for using resources to meet needs—is the creation of an Economic General Staff. It has proved immensely difficult even to establish an effective planning staff for the allocation of resources in wartime, and to do so under conditions of peace may be even harder. But without such a body, control and knowledge of employment and investment will not be possible. Sir William's second condition—fluidity of labour—will also be difficult to put into operation. It will require a change of attitude on the part of the trade unions, hitherto jealous guardians of craft privileges. If a skilled man becomes unemployed because there is no longer a demand for the product on which he is engaged, he will, if the Beveridge plan is applied, undergo a period of training and emerge qualified for other work; he may even have to undertake unskilled work. Many craft prejudices have been broken down since the war—in particular, the opposition to "dilution"—but labour will inevitably ask for safeguards

on this point. The importance of the third condition—planning for exports as well as for home needs—was emphasised in an article in *The Economist* last week; it is fundamental. The fourth condition—that planning should start now and not later—is imperative. And of his final condition—determination—Sir William is himself the best champion. If the Government can show a tithe of Sir William's energy and resolution anxiety about the future will be much lessened.

Cat and Mouse

The Board of Trade's new policy for retail trade is in operation. The details are given on page 777 of the scheme which has been prepared for giving small retailers a "fair share" of the available supplies of clothing, pottery and hollow-ware. The engine has been put in reverse. The purpose of the Retail Trade Committee, which has now been disbanded, was, in accord with the necessities of war economy, to work out ways and means of economising manpower and overheads in retail trade and to suggest methods of succouring squeezed-out shopkeepers—it actually proposed compensation from a compulsory levy on all shopkeepers. Now the object is different, diametrically so. It is to spread retail business as widely as possible in order to prevent any shopkeepers from being squeezed out at all. The reasons for the policy are plain enough. Political opposition has been successful. Mr Dalton has been handed a brand new banner, the salvation of the small man. But, unfortunately, the new policy will not work. It is a wrong policy because it makes the need to economise resources for war purposes only a secondary consideration; and it is an impracticable policy because the small shopkeepers will be squeezed out just the same, only perhaps somewhat more lingeringly—simply because the supplies of goods will not be available to keep them all in profitable business. In short, it is a cat and mouse policy, and the problem of what to do with the small retailer when he is finally squeezed out for lack of business remains entirely unsolved. It is not only disturbing that Mr Dalton has allowed himself to be so far persuaded from the stern necessities of war economy; it is also disturbing that, in his efforts to provide every retailer with the minimum of stock, if not of trade, he is running counter to the principles by which a flexible system of allocation and rationing has caused demand and supply to be matched in each locality. No longer will a shopkeeper's quota depend, as it should depend, entirely upon the coupons he has received against sales. At present, goods go automatically to the areas where they are wanted and to the shops which the public chooses to patronise. Now, apparently, the shopkeeper is entitled to a minimum quota whatever his sales have been or will be. The effort to safeguard the small shopkeeper may be understandable. But this is not the way to do it.

33B

Dr Edith Summerskill's prayer that the defence regulation providing for compulsory treatment in certain cases of venereal disease should be annulled was defeated by 245 votes to 31. The regulation, whose provisions were described in *The Economist* of November 14th (page 601), has been attacked on the two contradictory grounds that it does not go far enough and that it goes too far. Holders of the first view argue that it will leave untouched the vast majority of persons infected, that it will only be applied to a handful of women, professional prostitutes or promiscuous amateurs, and that, like other infectious illnesses, venereal disease ought to be compulsorily notifiable. The other group of opponents argue that compulsion in any form is dangerous, partly because it may drive the disease underground, but mainly because it may induce a false sense of security. They would rely on propaganda and education and on more vigorous voluntary methods—the provision of more clinics and so on. Both these groups have reason on their side. Regulation 33B will almost certainly only be applicable to a comparatively small number of women. But it is these—the hard core of irresponsibles, as Lord Dawson called them in the House of Lords debate—who are mainly responsible for spreading the disease; the majority of other cases come forward for treatment of their own accord. The argument that Regulation 33B will induce a sense of security has more force. But the Ministry of Health is not relying on it alone; education and the extension of facilities for

treatment—so far as the wartime shortage of medical staff allows—are to continue, and the debate itself provided welcome publicity for the whole subject. The advantage of the regulation is that it will enable action to be taken quickly. If the merits and drawbacks of compulsory notification are to be fought out, much time will be lost.

Coal Threat Again

It is evident now that the danger of a serious coal crisis has not been wholly averted by the Government's measures since early summer. The details of recent production are given on page 778. Production in the four weeks which ended on November 28th was no bigger than production in the previous four weeks, and it was appreciably less than production in the corresponding period last year. In normal times, output increases considerably during these later months of the year. Now, it is stagnant, at best, in spite of additions to the labour force, better wages and an output bonus; and it is stagnant at a level which is still too low to provide a safe reserve for the coming months. Not a winter has passed since the war started without more or less grave difficulties in the supply of coal. This winter there is not even the vestige of an excuse. The problem was at long last brought to a head in May and June. A comprehensive scheme for rationing and a plan for raising output were produced in response to justifiably violent criticism. Then rationing was abandoned; and it appears that the plan means very much less than it seemed at the time. Its basis was a radical reorganisation of the industry to concentrate its resources on the most productive pits and seams with the use of the most efficient technical methods. It was recognised that this reorganisation could not show large effects until next year. But the position now appears to be that while the various stop-gap measures, mainly on the side of economies in consumption, have barely succeeded in arresting the tide of decline, reorganisation is much more a phrase than a programme. This week, the Ministry of Fuel and Power at length announced the names of the National Coal Board, representing producers, distributors and consumers, which is to supervise production, efficiency, labour supply, training and welfare under the Plan. Regional controllers were, of course, appointed some considerable time ago, though what they are doing in the way of reorganisation no one knows. Perhaps at this eleventh hour, a real effort is to be made. But, from the signs available to the lay observer, it seems likely that the haggling which has gone on with the industry's organised interests, both on the labour and the employing side, has made the regional plan, which had great promise, little more than a process of small-scale tinkering. It may be that the people responsible for this pusillanimous approach to a problem which touches the heart of the war effort may be saved from the full consequences of their reluctance to act decisively by an exceptionally mild winter. But whatever the weather, the problem will remain; and if the weather is bad, the Government and the industry will be judged by the poverty of their results.

Anti-Submarine Warfare

The Prime Minister has given the names of the members of the Cabinet Committee set up to deal with the U-boat menace. A Battle of the Atlantic Committee was formed in February, 1941, and the establishment of this new Committee, which is a reconstruction of the earlier

THE REFORM OF ACCOUNTS

The recent series of articles in *The Economist* on the Reform of Company Accounts has aroused considerable interest; and for the convenience of readers these articles have been reprinted in pamphlet form, price 6d. Readers are asked to apply to *The Economist Newspaper, Limited*, Brettenham House, 15, Lancaster Place, London, W.C.2. (Telephone No. Temple Bar 3316.)

body, was indicated by General Smuts in his recent broadcast. It includes all the Ministers directly concerned with the fighting and supply sides of the task (Production, Aircraft Production, Admiralty, Air, War Transport), as well as the Chiefs of the Naval and Air Staffs; and its formation is a direct recognition of the importance of the air weapon and technical devices in combating the submarine. General control and responsibility remains with the Admiralty and there is no question of appointing a Commander-in-Chief or a special Minister. Mr Churchill, as Minister of Defence, is himself Chairman of the Committee, but a great deal of the work falls upon Sir Stafford Cripps as Vice-Chairman. When Sir Stafford was originally appointed Minister of Aircraft Production, the Prime Minister wrote that "aircraft and radio technique lies at the very heart of our affairs." General Smuts has described the submarine as "the greatest danger before us." The RAF has largely removed the air threat to shipping on the western approaches; and Allied building, now phenomenally large, has managed to keep ahead of sinkings. But the underwater danger is growing, not lessening, simply because the U-boat fleet, already ominously large, is increasing in number, in spite of the greater number of U-boat sinkings and the bombing of submarine yards. There is a school of thought which believes that it is no longer possible to rely simply upon smothering the menace by sheer weight of escort vessels and aircraft—a method which is sure, but slow. They rely rather on the new radio and other techniques; and it is for this reason that they are pressing for the creation of a Scientific General Staff, on the lines advocated by Professor A. V. Hill and others. The layman is in no position to judge, though it is plain from what has been publicly announced, and from the special responsibilities laid upon Sir Stafford Cripps (in addition to his heavy duties in the sphere of aircraft production), that the new techniques of detection and destruction are not being ignored. It may be that their development in use is not so speedy and effective as it might be, because of shortages in equipment and personnel, or because of deficiencies in the official outlook. On the other hand, all that is possible may be being done. At any rate, pressure for the utmost energy and efficiency will not be wasted. The submarine is Hitler's first and last ditch—his only chance.

Amalgamating the Police

Mr Morrison has announced his proposals for amalgamating certain police forces under the powers conferred on him by the defence regulations made last July. The areas affected are Kent, where it is proposed that the nine borough forces should be amalgamated with the county force; Surrey, where the borough forces of Guildford and Reigate should be amalgamated with the county force; Hampshire, where the Isle of Wight county force and the Winchester borough force should be amalgamated with Hampshire county force; Salisbury and Penzance, whose borough forces should be amalgamated with the Wiltshire and Cornwall county forces respectively; and Sussex, where all the county, county borough and borough forces should be amalgamated into one force. A final decision on these proposals will not be taken until Mr Morrison has heard the views of all the authorities concerned, but though there may be considerable grumbling and protest, it is probable that the amalgamation will go through, since the principle was fully debated, and eventually endorsed, in Parliament last October. From the point of view of the national interest, it is clearly desirable that the military authorities should, in a time of emergency, have to work with a single co-ordinated police force rather than a number of small ones, each of which can only operate in its own jurisdiction. In fact, this parochial independence has its disadvantages in peacetime as well, and it is perhaps significant that the determining factor which induced Mr Morrison to take this step was not the possibility of invasion, which is no more imminent now than at any other time since 1940, but the arrival of "the great American armies," whose authorities are likely to find the present system too complicated for their relations with the police to function smoothly. Since the amalgamations are taking place under the emergency legislation, they will automatically lapse with the end of the war unless new legislation is passed; but if they achieve greater efficiency—

which is their object—it seems improbable that the *status quo* will be restored out of deference to local susceptibilities. The position of the individual policeman under the new arrangement is, therefore, of importance. Amalgamation with the county force means that in disciplinary matters he is subject to the complete control of the chief constable, instead of, as in the case of borough forces, the watch committee. Neither watch committees nor chief constables are the most suitable persons to be the disciplinary authorities, and Mr Morrison's proposal to extend the right of appeal to the Secretary of State—at present allowed to members of county forces in cases of dismissal or enforced resignation—to cover reductions in pay and in rank, and to include members of any police force, has much to commend it.

Persian Riots

Last week's riots at Teheran were curiously ill-timed. Symptomatic, as the disturbances undoubtedly are, of the economic dislocation which exists in Persia, as well as of the incessant character of Axis propaganda, they took place about a week after the signature of the joint Anglo-American declaration to the Persian Government, which was designed to liquidate the bread crisis. The declaration, which testifies to the wish of the British and American Governments to safeguard the peoples of the Middle East from privation even at the most critical stage of the war, guarantees that all steps will be taken to make good any deficiency in cereals below minimum needs in the period ending with the 1943 harvest. It also guarantees that adequate transport will be placed at the disposal of the Persian Government. Responsibility for the efficient distribution of foodstuffs throughout the country and for the prevention of hoarding and black market transactions remains with the Persian Government. Whether the economic assistance promised by the declaration will actually alleviate the chaotic conditions which now prevail depends almost entirely upon whether the Persian Government under its Prime Minister, Qawam es Sultaneh, who took office last August, is able to control the growth of corruption and hoarding. It is recognised by the Allies that the food position has been exacerbated by the occupation, despite very considerable imports, because of the demands which the need to supply Russia has made on the Persian transport system. But the position has been very much complicated by the inability of successive Persian Governments, despite their admitted goodwill, to control the wrecking tactics of the illegally elected legislative assembly, the Majlis, bureaucratic and commercial corruption and renewed banditry among the tribes. And, inevitably, the attitude of the Persian people towards the occupying forces and officials will be determined, not by the undoubted Allied sympathy and determination to help, but by whether the goods, in the shape of food and internal order, are actually delivered.

Canadian Conservatives

The election of Mr John Bracken, Premier of Manitoba, to the leadership of the Canadian Conservative party may be an important landmark in the history of the Dominion's political parties. Hitherto party politics in Canada were becoming almost as stagnant as in this country. The party in power for the last seven years is called Liberal; but part of Mr Mackenzie King's unexpectedly sweeping success in the election of 1940 was due to the votes given to his party by Conservatives, who were alarmed at the prospect of a National Government under their own leaders. Since then, Mr Mackenzie King's position has been seriously weakened by the overseas conscription issue, which threatens to lose him part at least of the French Canadian vote. The Conservative party, on the other hand, can stage a revival without being compromised by a Quebec connection. Its trouble hitherto has been that its political programme has been as barren as Mr Mackenzie King's. Realising this, a body of younger Conservatives formulated this autumn a statement of party aims, for both war and peace, which cut across former party barriers by its proposal that tariff policy should be guided by the extent to which tariffs contributed to the maintenance of gainful employment and adequate standards of living; and by its recognition that, while private enterprise is the mainspring

of economic prosperity, the state must assume responsibility for ensuring proper standards of employment and for encouraging private enterprise in time of depression. It also approved a national housing scheme to be underwritten by the state, and a national "Beveridge Plan" for social security. At the party convention, last week, the programme adopted did not go so far as this, and the convention did not agree to Mr Bracken's stipulation that the party's name should be changed to "Progressive Conservative." But he, an opponent of the Conservatives for twenty years and a low tariff advocate, found the party programme, placing social security at its head, and approving open immigration of like-minded peoples, regardless of racial origin, progressive enough for him to waive it. Whether the programme will seduce dissatisfied Liberals, and forestall the growing influence of the Co-operative Commonwealth Federation—the Socialists—or not, it should at least go far towards clearing away the dead wood in the Conservative party itself.

The Strength of Defence

The fighting on the Russian front has lost its recent violence, but it is still far from reaching a deadlock. The course of recent engagements has shown the relative strength of German defence. Hoth's encircled army has fought on stubbornly; and Stalingrad itself has not yet been cleared, though the Russians have been advancing slowly from house to house and from street to street, as the Germans did before. The German aim now seems to be to re-establish contact between their forces in the Caucasus and those around Stalingrad. Their main thrust has been directed at the southern end of the Russian "ring," in the Kotelnikovo sector; but this counter-attack, too, seems to have quickly spent its initial momentum. The crust of the Russian defence seems to be as hard as that of the Germans. The result might be a prolonged stalemate, were it not for the fact that the present array of forces around Stalingrad cannot possibly be maintained for a long time. In order to keep Stalingrad as a "hedgheg" position the Germans must at least cut a comparatively wide corridor to Hoth's armv. In the north, on the Rzhev and Velikie Luki sectors, as well as round Voronezh, the fighting has been temporarily brought to a comparative standstill by a sudden thaw. The puzzling military development on the Russian side, in the meantime, has been the vast reshuffle of the highest commanding staff. During the last weeks of November and the first days of December, the number of new promotions to the rank of general rose to nearly three hundred. No official comment has so far been made on the extraordinary scale of these appointments. Some of the new generals have come from the ranks of the former political commissars; but their number can hardly be higher than fifty or sixty. The rest of the appointments seem to have been of a non-political character. It is not very plausible to suggest that high casualties may have necessitated such a high rate of promotion. The formation of new reserve armies in the rear may perhaps be one reason for it, but, even so, this number of nearly 300 new generals is one of the many puzzles in which Russia's role in this war has abounded.

The Chase

After the Axis fanfares, which last week claimed to herald the onset of a stupendous armoured clash at El Agheila, the news that Rommel had decided to withdraw was something of an anti-climax. For the Eighth Army, an immediate decision would have been more satisfactory, though even now the withdrawing Axis troops do not appear to have succeeded in getting clear away from their Allied pursuers. General Alexander's aim from the start of the present campaign has been the complete defeat and elimination of Rommel's force. While even a nucleus remains intact, there is the danger that it may be reinforced and reformed. Yet, from the Axis standpoint, the retreat at El Agheila is a very marked confession of weakness. Rommel has had to abandon the intention of throwing the Eighth Army back, and for delaying tactics he is forced to rely upon mechanical contrivances—mine fields and booby traps—rather than on defensive fighting. Despite his paucity of resources, the game has, as might be expected, been skilfully played. But the abandonment of the naturally

strong and generously fortified positions at El Agheila and Mersa Brega must prejudice the whole future of the Axis hold on North Africa. There is now little possibility of preventing the forces of Rommel and of Nehring in Tunis from being caught between the First and Eighth Armies and their supporting air arms. The failure to hold General Alexander at the Tripolitanian frontier already relieves the First Army of the obligation to do more than hold the positions already won. By saving himself in the short run in order to fight a no doubt more serious action from Tunis, Rommel has admitted a severe blow to Axis strategy. His decision could only have been made in the face of the knowledge that a pitched battle at Agheila must spell immediate, rather than ultimate, disaster; and by turning and splitting his retreating forces the Eighth Army may still speed his doom.

Shorter Notes

The following table gives the number of civilian casualties in air-raids since September, 1939:—

	Killed	Injured and Detained in Hospital	Total Serious Casualties
Sept., 1939-Aug., 1940.	1,494	1,980	3,474
Sept.-Dec., 1940.....	22,282	28,522	50,804
Total, 1941.....	20,863	21,839	42,702
1942:—			
January.....	114	59	173
February.....	24	20	44
March.....	21	13	34
April.....	987	1,046	2,033
May.....	399	426	825
June.....	293	358	651
July.....	411	871	1,282
August.....	403	509	912
September.....	207	238	445
October.....	229	370	599
November.....	24	38	62
Totals to date....	47,751	56,289	104,040

Of those killed in November, 8 were men, 12 were women and 4 were children under 16.

The struggle for the coastal strip of Papua around Buna is proving one of the grimmest and most desperate of the entire war. Despite repeated and costly attempts to reinforce, the Japanese have been driven out of Gona and Buna village and their remaining forces have been split up by two Allied wedges. From the losses which the Japanese are prepared to suffer merely to delay the now apparently inevitable loss of this coastal strip, it is clear that they attach great importance to the time factor—probably in order to strengthen the defences of Lae, Salamaua and Rabaul.

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AMERICAN SURVEY

America on Britain

(From Our Special Representative in the United States)

AMERICANS are on the whole not very interested in history. Temperamentally they look forward, not back. They feel themselves to be part of a young nation with new horizons opening out ahead. They are still going places. Nothing is finished yet. Everything can still be bigger than it was yesterday. The nation's emotional capital is invested in ideas of freedom and equality which they feel belong in a particular way to the United States. Whatever folk memories there may be are all tied up with the affirmation of individual liberty—the Pilgrim Fathers, the War of Independence, the Covered Wagon, the Civil War were all concerned with different aspects of human freedom. Today when the President defines American war aims he naturally turns to the idea of "Four Freedoms."

Not by any stretch of the imagination can the people of Britain be called a young people. They have far too much self-conscious history behind them. Nor to the superficial observer is Britain an equalitarian community. It has moated granges and belted earls; in the movies, through which most Americans get their mental picture of Britain, castles and aristocrats are much in evidence. And attached to Britain is an Empire out of which the Americans fought their way to independence. It is astonishing how many do not realise that Canada, Australia and New Zealand found another way out. It is perhaps not so astonishing that the Indian crisis is naïvely interpreted in terms of royal absolutism, colonial servitude and stiff-necked imperialism with Mr Churchill in the rôle of George III, Mr Amery that of Lord North and the Congress Party that of the American Insurgents.

In a word, Britain is not the kind of country the Americans would normally like. Yet they do like Britain. There are no limits to which American admiration of Britain will not go. It was so during the Battle of Britain. But if, when the smoke of the fire lifts and the grime of the night's agony is wiped off Britain's face, there seems to be the same old face, tough, elderly and arrogant, the swing of irritation is equally strong in the other direction. This state of mind is extremely precarious and very unsatisfactory. The liking for Britain is largely instinctive. The more it is frustrated and repressed by contrary emotions, the weaker it becomes.

This is the psychological situation the British Information Services have to meet. But how can they meet it if the Britain they have to project is made to look like everything Americans most dislike? It is a fact that Mr Churchill's Government is not giving America what it wants to hear. It has done so in the past. The speeches of June, 1940, the noble appeal for Anglo-American collaboration, the lonely challenge thrown to the hordes of Fascism, all roused a powerful response. It is no coincidence that the speech which most stirred America closed with the words, "But westward, look, the land is bright"—a phrase which of itself evokes new horizons and better to-morrows. But what was done in 1940 is already dead and gone. The American disregard of history covers recent history, too. People want to know what Britain is doing now and what it is going to do next.

This does not mean betraying Britain into causes the nation does not represent. It does not mean pretending to be something the British people are not and can never be. Every American who goes to Britain is astonished to find very much what he or she wanted but hardly expected to find—a people grimly engaged upon a people's war, sacrificing cheerfully their property and their rights, creating a new community in their Home Guards and Fire Guards and myriad voluntary services, discovering new kinds of economic and social justice from their wartime experience and looking and hoping for a better, richer world. The fact is that the Britain which seems to be

projected by its Government is not the Britain that really exists. What is needed to improve the feeling between the two countries is for British policy to represent what is best in the British community and to take cognisance of the new hopes and energies bred of war.

Britain's Chance

Out of the British war effort has come enough material to blow sky-high the picture of an old decadent class-ridden community run by dukes. Yet the change in Britain has not fully emerged. This is partly due to the silly vociferousness of the Communists, who spent this summer on the Second Front issue in witch-hunting for "appeasing Rightists" in the War Cabinet. It is partly due to well-intentioned Liberals who blamed everything, from military defeat in Egypt to the failure of the Cripps Mission, on to Britain's "Toryism" and sinister vested interests—a theme which is taken up vigorously in America, for example, in articles with titles such as "Mr Churchill's Tory War." But it is also due to Mr Churchill. The changes in wartime Britain—towards greater democracy, greater equality of opportunity, a fairer distribution of income—are all there. But when has the Prime Minister made one of his great and compelling speeches on the theme, not of world strategy, but of the hopes and fears of the people of Britain? So long as he is silent, Conservatism, the dominant political attitude in Britain, is silent, and Americans inevitably believe that maybe the Conservatives are out to do nothing but conserve.

Nobody is asking Britain to go Socialist. It would do harm if Britain did, for the Americans are egalitarian, not collectivist. The American people only look for some assurance that the future can be better than the past and that the Government of Britain is determined that it shall be so. They are looking, too—though probably they would not admit this—for a solution of some of their own perplexities. Britain has the background and political aptitude to work out the synthesis between enterprise and planning, freedom and control, individualism and collectivism, for which the free world is searching.

The Colonial Muddle

"Could not your aristocrats abandon their hold on Malaya?" Incredible though it may seem, this question has been asked in all seriousness at the end of a public meeting in the United States. It illustrates in a crude form the general vague connection in the American mind between a class-ridden society in Britain and imperialist sway over subject peoples. The depth and the proportions of American ignorance in the most obvious matters of Empire policy and government are unbelievable; but it is no use dismissing them on the grounds that they are stupid and unjustified. Perhaps 80 per cent are; but the important thing is to correct, not dismiss, them. Most of the misconceptions can be corrected. Mr Willkie himself recognises that "in vast areas of the world there is no longer any British Empire, but instead a proud Commonwealth of Free Nations." The facts about the Dominions speak for themselves, although it might not be bad policy to encourage more Dominion statesmen to go round stating them—General Smuts' oration to Parliament made a very deep impression.

For decades now, Britain's settled colonial policy has been "the orderly . . . abolition of the colonial system." Mr Willkie wants it to be "scheduled," too. The disparity is not great. Only one Empire in the history of man has conformed to Mr Willkie's ideal and developed into a free Commonwealth. If it had not been for Britain,

Mr Willkie would never have come on that policy at all. Britain has this achievement to its credit because it has accepted self-government as the end of its colonial policy. Thus, when talk arises over the future of the colonial system, the British Government has only to welcome the critics, congratulate them on adopting the British line and show, unequivocally, that it is undertaking a determined programme of social, educational and economic advancement among the subject peoples directed towards the achievement of their freedom.

India is a more difficult case, for the British Government has unequivocally stated the only possible policy—which has been refused. Americans have a hopelessly uninformed and naïve approach to India. Basically, the problem is for Americans to learn the complexities of the Indian situation. Both the Indian and the colonial problem will, however, become a much more serious obstacle to collaboration if recent statements made in Britain are repeated or, which would be worse, adopted as the official British attitude. Lord Croft's answer to Mr Willkie did no good at all; he only confirmed

the connection in American minds between reactionaries at home and colonial peoples in servitude abroad. Nor, it must be confessed, did Mr Churchill's statement: "We mean to hold our own," to which Mr Willkie replied:

This [a plan for world-wide economic collaboration after the war] cannot be accomplished by mere declarations of our leaders, as in an Atlantic Charter, particularly when one of the two principals to that instrument has in the last few days seemingly defended the old imperialistic order and declared to a shocked world: "We mean to hold our own."

There is no doubt the world was much less shocked than Mr Willkie. Nevertheless, the British Empire is in danger of becoming the object of a slanging match between British and American leaders. Nothing could be more unfortunate. Nothing could be more unnecessary. The Americans want to know what the British are going to do next. It should be perfectly possible to tell them in terms that might send them away whooping for joy over the British Commonwealth as the greatest, most creative experiment in the history of international relations.

Steel Alloy Metals

(By a Correspondent)

AFTER the first year of war the problem of overcoming raw material shortages has become one of the most urgent and complicated tasks with which the War Production Board finds itself confronted. The shortages of steel, copper, tin, rubber and aviation spirit, as the most obvious, have been singled out in public discussions; but to quote the words of Mr William L. Batt, chairman of the Requirements Committee WPB, and Mr A. I. Henderson, director of Materials WPB, from a recently published report, it is in the field of steel alloying materials "that the pinch is tightest." Not so very long ago this group of metals—manganese, chromium, nickel, tungsten, cobalt, molybdenum, and vanadium—was of minor importance in metallurgy; to-day their priority rating for war purposes is second to none. Their addition to steel assures the varying combinations of hardness, toughness, and ductility, as well as resistance to heat, stain, corrosion and shock without which weapons of war—and the tools to make them—would be little more effective under modern battle conditions than the bow, the arrow, and the shield.

The United States is comparatively poor in high-grade steel alloy metals. With the exception of molybdenum, of which the Climax mine in Colorado and some copper mines in Utah, New Mexico and Arizona supply together some 15,000 to 20,000 tons per annum, representing over nine-tenths of world production, the country does not play a decisive part in the supply of any steel alloy metal. The 5,000 tons of tungsten and the 1,000 tons of vanadium a year produced in the United States are the only other two examples in which a sizeable part of the country's requirements is met from domestic sources. True, there are extensive deposits of manganese ore and of chromite, the commercial source of chromium, but these are of poor quality. In all steel alloy metals, except molybdenum, the United States has, in fact, always been dependent mainly or almost entirely on imports. Moreover, nickel is the only metal—more than four-fifths of the world output is produced in the Sudbury basin of Ontario, Canada—which can be secured in large quantities from a neighbouring country. The bulk of America's imports before the war came from outside the Western Hemisphere. For example, in 1940, the last full year for which United States import statistics have been published, Russia, India and Africa together supplied three-quarters of its manganese requirements; Turkey and Africa, and some territories now occupied by the enemy—the Philippines and Greece—supplied four-fifths of the chromite, and China alone met over one-third of its tungsten imports.

In the circumstances it is not surprising that the question of steel alloy metal supplies has occupied the minds of the Washington War Department for years past, although an acute threat of approaching war was needed to get the support of a "neutrality-conscious" Congress for an actual planning movement in this critical field. Even then the scope of the legislative conversions was limited. The "Strategic Minerals Act," signed by President Roosevelt on June 7, 1939, authorised the expenditure of a total of 100 million dollars over a period of four years for the purchase of "strategic materials," which included, besides steel alloy metals, except molybdenum and vanadium, such

items as tin and rubber. The same Act, under Section 7, made available an annual sum of \$500,000 for a period of four years for the search and appraising of strategic metal deposits in the United States. This sum was wholly inadequate, but the search financed by it showed some encouraging results, and led, *inter alia*, to the discovery of a large tungsten deposit in the Yellow Pine District, Idaho, which is now being exploited.

Although the time left for an orderly buying campaign under the Strategic Minerals Act was very short—within three months of the signing of the Act Europe was at war—the American Government made the most of its powers. Sometimes its purchases showed a good deal of enterprise. Late in June, 1940, for instance, when France had fallen, the Reconstruction Finance Corporation, on the authority of some officials at Bordeaux, took possession of, and shipped almost overnight, a large load of Chinese tungsten from Indo-China, although certain supporters of Marshal Pétain were already negotiating for its transfer to the Japanese. Later in 1940, Washington secured additional funds for the acquisition of steel alloy metals by agreeing to accept repayment of loans granted by the Export-Import Bank in the form of materials. Early in 1941 the American Government started to place ore contracts in Latin America, and, at about the same time, the export of steel alloy metals from the United States was stopped by licensing orders and the distribution of these metals within the United States was made subject to a priority system. As a result of all these measures, the country entered the "shooting war" with a sizeable reserve of steel alloy metals, although the reserve was not large enough to meet the requirements of the huge war production programmes for more than a limited period.

New supplies of steel alloy metals for the United States have not dried up. The pooling of Allied raw material resources ensured the flow of a large volume of materials to the United States. India, South Africa and the Gold Coast are supplying manganese; South Africa, Southern Rhodesia, India and the Fighting French New Caledonia supply large tonnages of chromite; the Belgian Congo, Northern Rhodesia and Canada are making available considerable supplies of cobalt, and the latter Dominion and New Caledonia are the chief sources of nickel. Considerable and, stimulated by favourable prices, steadily rising quantities of steel alloy metals are also flowing into the United States under the exclusive buying agreements with the various Latin American countries, including tungsten from Bolivia, Argentina and Mexico, manganese and chromite from Cuba, Chile and Brazil, and vanadium from Peru. Despite all economy measures introduced by the War Production Board, which include the reservation of supplies for vital munitions purposes, the revision of standard specifications for alloys, the replacement of the scarcest metals by less scarce ones—such as the replacement of tungsten by molybdenum in high-speed and other heat-resistant steels—and the recovery of scrap, larger supplies are, however, needed, especially of manganese, chromium, nickel and tungsten, that is of the most important metals of the group.

These additional supplies can only be provided by the utilisation of the extensive low-grade deposits found in most parts of America, including the United States. The

United States Government did not enter the war unprepared. Since 1935, the Bureau of Mines of the Department of the Interior, in the course of its ordinary activities, has been studying methods for the concentration and refining of low-grade steel alloy metal ores. This work, done under the supervision of Dr Reginald S. Dean, until recently Chief of the Metallurgical Division of the Bureau, and now the Bureau's first Assistant Director, has resulted in the development of a number of processes which have been subjected to practical tests in a number of pilot plants erected after the collapse of France. On the basis of these tests the War Production Board has recently authorised a number of projects for Federal financing; they include developments of low-grade ore deposits, and the establishment of concentration and refining plants. Work has been taken in hand this summer, and, according to present schedules, supplies should begin to come forward early next year.

For manganese the programme aims at an annual supply of over 600,000 short tons of high-grade manganese concentrates to be produced from ore containing between 5 and 35 per cent Mn. The project includes the erection of ten plants, of which the three largest—in the course of construction in Minnesota, Nevada and South Dakota—will produce two-thirds of the planned tonnage. Simultaneously with the erection of the plant, the Metals Reserve Company, a subsidiary of the Reconstruction Finance Corporation, started to acquire low-grade ore at the middle of June last. A similar project has been initiated for chromium, by which Montana is to produce over 500,000 short tons of high-grade concentrate, while additional sup-

plies are to be developed in Northern California and Oregon. For tungsten the intensified development of the existing workings, and the starting up of the new high-grade deposit in Idaho, has been supplemented by the establishment of low-grade concentration plants, with Salt Lake City (Utah) as the chief centre. On the basis of this programme, the United States domestic output this year will be raised to three times the 1939 output, although the new concentration plants will not reach their production stage before 1943. In nickel the lack of adequate ore supplies has limited developments within the borders of the United States to two projects in Nevada and Montana, but recently the United States Government, on the advice of the WPB, has granted a loan of \$20 millions to the Nicaro Nickel Company for the financing of a refining plant to treat the extensive nickel deposits in Cuba, the ore of which does not contain more than 1 per cent Ni. The various concentration projects so far initiated, including the loan to the Nicaro Nickel Company, and certain sums invested by private interests, are costing the United States close on \$100 millions, but it is probable that this total does not represent the last expenditure on this account.

The exploitation of the extensive deposits of low-grade ore in North and Latin America, if rapidly pushed ahead, will do much to solve the difficulties caused by the rapid expansion in the demand for steel alloy metals. Nor are the benefits of technical improvements in the treatment of low-grade ores likely to be confined to the period of war; the world's resources of high-grade ores are believed to be limited, and the use of steel alloys in engineering is expected to grow.

THE WORLD OVERSEAS

French West Africa

FRENCH West Africa is one of the least developed parts of the French Empire. Adverse climatic conditions, the expansion of the Sahara desert to the west and the scarcity of native labour have been the main obstacles to economic development. The colonies which form the Federation (Senegal and French Sudan, French Guinea, the Ivory Coast, Dahomey, Nigeria and Mauritania) cover more than one-fifth of the African continent; and their populations account for about 15 per cent of the total of Africa's inhabitants. But their trade has amounted to no more than 5.6 per cent of all African trade; and the capital invested there amounts to only 2.5 per cent of the total investment in the black continent, compared with nearly 10 per cent invested in British West Africa. Financial difficulties have also handicapped the colonies. The payment of debt services used to make up about 40 per cent of French West Africa's expenditure; and the burden of the debts incurred for railway construction was out of proportion to the colonies' income or even to the increase in income due to the supply of transport facilities.

Economic life has developed mainly on the coastal belt. French policy aimed at the development of large-scale monocultural areas, based on native peasant proprietorship. Thus, Senegal has specialised in the cultivation of groundnuts. Its output amounted to nearly 30 per cent of the world's total groundnut crop before the war; and Senegal's share in all French West Africa's exports was more than 20 per cent. Groundnuts were the main staple food of the native population; and the export surplus was between 200,000 and 300,000 tons. In the years of depression, the price of groundnuts fell by about 75 per cent; and the local peasants expanded the area under cultivation deep into the interior of the country to make good part of their losses by a bigger volume of sales. This shift into the interior of the country was further necessitated by the gradual exhaustion of the coastal soil; and it was facilitated by the development of motor traffic which made it possible to transport the nut crops to the coastal railways, especially the peanut railway, St. Louis-Dakar.

Before the war, a start was made in the production of nut oil on the spot. But only a small fraction of the

crops was processed; the bulk of the harvest went to North Africa and to France to be shelled and processed there. During the Vichy period, shipping and fuel shortages forced a radical change. Shelling and oil production on a large scale were developed on the spot. Peanut shells were used as fuel by the local railways; and tractors were driven on nut oil. This year, however, the crop has been extremely poor. Vichy press estimates have put it at about 200-250 thousand tons, that is, at less than one-third of normal, and the economic position of the Senegalese must have gravely deteriorated.

Cocoa, Coffee and Cotton

French Guinea and the Ivory Coast have specialised in growing cocoa, coffee, bananas, and palm kernels. Most of the French West African cocoa (about 50,000 tons) and nearly all its coffee (nearly 15,000 tons) come from the Ivory Coast; these two items account for 12-13 per cent of all French West African exports. Palm kernels and palm oil from Guinea and Dahomey account for 8 per cent. The Ivory Coast is also rich in mahogany forests.

Finally, the French Sudan has been chosen as the rice Niger Valley was started as far back as 1925, and it was more specifically developed by the *Office du Niger* after 1932. The output of cotton, however, remained at a low level before the war; and its annual export was never more than 5,000 tons. Under Vichy, the scheme received an enormous amount of publicity. It was said that the construction of the San Sauding Barrage, which was to play an important part in the irrigation of the Niger Valley, had been completed; and this year's cotton crop was expected to reach 100,000 tons. Last May, it was announced that the organisation committee of the French textile industry had agreed to purchase the whole of the cotton crop of the Niger basin for the next five years; and this agreement also mentioned a figure of 80-100 thousand tons as the sum of annual purchases. So far, however, it has been impossible to find out to what extent these expectations were fulfilled. It is probable

that the claims were partly made for propaganda purposes, since the opening up of the Niger Valley, the shift of the West African economy from the coastal regions to the interior and the linking up of West Africa with North Africa were the main points in Vichy's much advertised colonial programme—which was intended to counter frustration in France *Metropolitaine* by an "escapist" myth of colonial achievements and expansion.

Transport Problems

West African imports, like those of the French North African possessions, consisted mainly of textiles, fuel oil and agricultural machinery; and, as in North Africa, the falling off in those imports during the Vichy period caused many hardships to the local population. The railways have been run on wood and oil-cake; and the most crazy experiments have been made to cover the fuel deficit by the use of palm oil and alcohol extracted from bananas, as well as maize and sisal. Fuel and steel shortages have made the planned expansion of railways impossible. The railway network is still confined to the coastal regions. The main lines connect the Upper Niger with the ports of Dakar and Conakry in the north-west and Bobo Dioulasso with Abidjan in the south. The extension of the Abidjan railway from Bobo Dioulasso to Quagadougou, 1,500 kilometres inland, has come to a standstill.

The problem of transport was the main point discussed at the economic conference held at Dakar, in October, 1942. Great stress was laid on the need to maintain the regular weekly motor service between Casablanca and Dakar, across the desert. The motor roads there are relatively good, a fact which will certainly be appreciated now, when Dakar serves as a transit point for supplies despatched from the United States to North Africa. An achievement of which Vichy's colonial administration was particularly proud was the development of an air service between French West and North Africa. The facilities for air transport have now, according to the agreement concluded with the Governor-General, M Boisson, become available for Allied aircraft.

The most important economic and strategic asset of the country, is, of course, Dakar itself, with its modern and conveniently situated harbour. The volume of Dakar's commercial traffic ranged from 7.5 to 17.5 million tons a year during the last pre-war decade. Recently, Dakar has been strongly fortified; and its harbour installations are said to have been considerably extended. The growth of the town is also reflected in the increase of its population, which has risen from 90,000 to 120,000. Many of the newcomers have been refugees or emigrants from France itself who sought shelter in the distant provinces of the French Empire. Their arrival caused difficulties in housing, though these may have been mitigated after the compulsory evacuation of women and children which was ordered by the Governor-General shortly before the Allied landings in North Africa.

Politically, the regime in West Africa is much the same as in North Africa. The only important difference is that the problem of native political movements has been almost absent in French West Africa. The "black Frenchmen" of Senegal have enjoyed the privileges of French citizenship to a larger extent than did the Moslems in the North; and the number of Frenchmen permanently resident in the colony was hardly more than 20,000 before the war. An interesting innovation effected under the Governor-General, M Boisson, was the decree by which only French subjects are allowed to act as commercial travellers in French West Africa.

Japan's Economic Gains

[BY A CORRESPONDENT]

December 16th

WHEN, twelve months ago, Japan started its Pacific offensive, so far as natural resources are concerned the country was the poorest of all the major industrial nations. The accumulation of large stocks of raw materials and foodstuffs had secured adequate supplies for some time, but the development of the newly conquered areas was immediately regarded by the Japanese High Command as a vital task. Civil administrators, plantation and mining experts followed the advancing Japanese armies, and as early as February a "Great East Asiatic Council," composed of Japanese industrial experts and State officials, and charged with the

task of planning the economic development of the newly acquired areas, set to work.

From the Axis and neutral press some idea of the work of the Council can be obtained. A number of important Japanese manufacturing industries are to be gradually transferred to the chief Asiatic sources of raw materials, just as the Japanese cotton spinning industry has been transferred to China. For other industries, imports of ores and other raw materials into Japan are to be replaced by imports of semi-finished materials. This has entailed, not only the re-organisation of mining and other primary stages of production in the newly conquered areas, but also the development there of new refining industries. For this purpose, the Pacific areas, according to *Wirtschaftsdienst*, were to be organised into three administrative regions—Malaya and Sumatra, the East Indies consisting of Java, Celebes and New Guinea, and Borneo. In addition to these areas, the "friendly occupied countries"—like French Indo-China and Siam—were to be included in the new sphere of development, but the local administrations were to be given, probably only temporarily, a certain measure of independence.

The natural resources of the areas occupied by Japan have made it independent of food imports; they also contain adequate supplies of most of the industrial raw materials needed by Japan. The exceptions are copper and zinc; and supplies of good coking-coal and iron-ore are not too abundant. There are deficiencies in cotton and wool, but these have almost certainly been made up from large Japanese stocks, and the extensive current output of rayon and staple fibre. Even Axis sources, however, do not conceal the fact that the occupation of the rich Pacific producing regions cannot by itself be regarded as a decisive strengthening of Japan's supply position. In the view of *Der Deutsche Volkswirt* (March 27, 1942), large supplies of industrial equipment, machinery, and means of transport, as well as time, are needed to transform Japan's new and large "raw material potential" into a "raw material effective." To this list experts and skilled labour should be added, and these are by no means readily available, since the demands of the munitions industries are taxing Japan's human skill very heavily.

Slow Progress

While reports of Japan's ambitious development plans are fairly comprehensive, information on the actual progress achieved in the past twelve months is meagre. But allowing for the obvious and clumsy Japanese propaganda in the Axis press, one has the impression that the Japanese army and war industry cannot feel too happy with the material help so far obtained from the Pacific region. Although considerations of efficiency induced the Japanese Government and army to assign private industrial firms a large share in development work—in occupied China and Manchuria this had been mainly organised by state corporations—progress so far appears to have been slow. Besides the shortage of materials and skilled labour, two main factors appear to have been responsible for this delay—destruction wrought by the retreating Allies and shortage of transport facilities.

The destruction appears to have been very effective in the oilfields and the oil refining installations. Even now Japanese propaganda claims the resumption of only a small proportion of the former regular oil output, and the use of surplus sugar and other crops, including rubber, for the production of oil substitutes is being organised energetically. On the other hand, the destruction of the tin mines, bauxite mines, iron mines, rubber plantations, and oilseed plantations appears to have been less severe than was at first believed. Owing to the nature of these mines and plantations, this is hardly surprising, especially as the time available for destruction was so short that even the large tin smelting works at Penang in Malaya, including its stocks of ore and refined metal, was captured by the Japanese with only superficial damage. In a number of cases, it appears that Japanese production in the occupied areas has been resumed on a fair scale, although nowhere does current production appear to be comparable with the former normal output of the South West Pacific.

The effectiveness of current production, however, seems to be greatly hampered by Japan's shipping shortage, which probably constitutes the weakest spot in its war economy. In 1939, Japan's merchant fleet of 5,600,000 tons gross was the third largest in the world. It has probably been increased since the outbreak of the European war (Japan's shipbuilding capacity is estimated at 750,000 tons yearly), but heavy sinkings of Japanese transports in the past twelve months have probably counterbalanced these gains; so that a recent Allied estimate, giving Japan's present merchant tonnage at about 6,000,000 gross, is probably not far

off the mark. At least half this tonnage is almost certainly being used for Japan's coastal trade and military transport, leaving at best 3,000,000 tons for trading within the Co-Prosperity Sphere. This tonnage is far too small, even according to Japanese admissions, to take advantage of the new supplies from the Pacific region. According to a recent statement of the Vice-President of Nippon Yusen Kaisha, Japan requires a merchant fleet of 17,000,000 tons to develop the Pacific trade adequately, and plans for Japan's merchant fleet of the future, designed by the Great East Asiatic Council, are said to go even beyond that figure.

Corporative Norway?

[BY A CORRESPONDENT]

It has always been the ambition of quisling Norway to gain official admission, as a full member, to Europe's "New Order." The elevation of Quisling to the dignity of Prime Minister and head of a National Government in February this year was an important step towards this goal, but, to give their country the outward appearance of an "independent allied state," the *Nasjonal Samling* Party had to reorganise the Norwegian community on Fascist lines. The plan of a corporative Norway was probably accepted by the Fuehrer on the occasion of Quisling's visit to Berlin early this year, and the latter's efforts during the following months were mainly devoted to this end. But the struggle against the régime by Norwegian judges, clergymen, workers, shipowners and so on in the years 1940 and 1941 had already proved that the Norwegian population is not prepared to tolerate, even grudgingly, an attempt at organised regimentation, and the *Nasjonal Samling* movement is not strong enough to subdue the active resistance of the people. In spite of this, and although the attempt to nazify the teachers' profession in the spring and summer of 1942 also failed, in July and August of this year the Quisling Government made hasty preparations for the inauguration of a Fascist Riksdag and the proclamation of a corporative order on the occasion of the Party Congress at the end of September. Under this draft constitution, the whole population was to be subdivided into corporations, according to the various occupations; the leaders of each corporation were to be appointed by the Quisling authorities, and the representatives of all corporations would be combined in two Chambers, a Cultural and an Economic Assembly.

One important aspect of this constitutional reorganisation would have been the further transformation of the Norwegian trade unions, which had been taken over, about a year previously, by the quislings, though the shortage of skilled Nazi trade unionists soon resulted in the reinstallation of a number of non-Nazi union officials. In some cases, less than half the ordinary subscriptions were paid, in spite of the efforts of the new union authorities; but the flight of the workers from the Nazified unions, which might otherwise have occurred, was until recently prevented by an official ban on resignation. The Free Trade Union Movement, however, appealed to the workers to desert the Nazified unions when it became clear, in August, 1942, that the Labour Union, together with the reorganised employers' associations, should constitute the new corporations for commerce and industry. This call has apparently been obeyed by a considerable number of workers, which seems to be the main reason why the quislings were unable to keep to their time-table for the inauguration of the new "national constitution."

Economically, the non-cooperation of the workers is particularly serious from the German point of view, because of the strained position of the Norwegian labour market; and the enforcement of Quisling's constitutional policy may well have been prevented by Teerboven's own intervention in order to avoid a further alienation of the working class. It should be realised that the local population is hardly sufficient to perform the huge amount of work involved by the Norwegian fortification schemes, especially since the productivity of the average worker is said to have been reduced by 30 per cent owing to food deficiencies and other adverse factors. Already, a large number of German civilians have come to Norway to take up key positions in industry; and workers from Denmark, Holland and Poland, as well as prisoners from Russia and Jugoslavia, have also been transferred to Norway. The Labour Minister in Quisling's administration revealed last June that the German military authorities required as much as a third of all Norwegian workers; the number of labourers compulsorily recruited may now be in the neighbourhood of 100,000. The majority of them are occupied with fortifica-

tion work in Norway itself, mostly for a remuneration far below their former wages. The discontent of the workers is also shown in big acts of sabotage, which are supported, even according to German sources, by a fair section of the population.

Police Methods

The quislings have so far only postponed the proclamation of the corporative order; the time, according to Quisling himself, is "nearly ripe" for the inauguration of a Riksdag. Late in September or early in October, they took steps to nazify the Norwegian industrialists' and traders' associations; they also created a new Cultural Assembly, and they appointed Nazi commissioners to the boards of the more important Norwegian banks. At the same time, both the quislings and their German masters have largely taken refuge in police methods, pure and simple, when dealing with political and social problems. Quisling leaders have complained that their previous "decency" towards the non-Nazi population has been wrongly regarded as weakness. The *Nasjonal Samling* Party is now organising a comprehensive cell system throughout the country, and every cell leader may make any investigations he deems necessary into the households of his particular district; the official Oslo police force, which is already ten times larger than before the invasion, is to be further increased; and the Hird organisation (Quisling's storm troops) has been put under the command of the local Gestapo chief. A campaign of terror against Jews and Freemasons has been started, and the death penalty has been introduced for a number of minor offences. Even the food shortage has now been turned into a political weapon for the Nazis; from now on practically no rations are distributed except to holders of labour cards, and these are only given to those who are suitably employed.

The Plight of the Jews

[BY A CORRESPONDENT]

BEGINNING with Polish and Russian Jews, a new wave of persecution has swept German Europe. Reports from neutral observers as well as from underground movements in Poland speak of mass murder and of a consistent policy of extermination. Facts and figures given by the Polish Government in London, as well as by the State Department in Washington, confirm that about two million Jews have been killed in Poland and Russia since the occupation.

It seems that a radical change in policy towards the treatment of the Jews took place last July, after Himmler's visit to Poland. Until then, life in the ghettos of Warsaw and other Polish cities was comparatively bearable. It looked as if the setting up of the ghettos was Hitler's final "solution" of the problem. He even expressed the view that the ghettos were part and parcel of his "new order." The ghettos of Warsaw, Lublin, Cracow, Lodz and so on were, therefore, originally given some shadowy form of internal organisation. Politically, the ghettos became an important centre of anti-Nazi activities. The fact that the Jews were living together in compact masses, separated and immune from German infiltration and safe from pro-German tendencies, helped the development of anti-Nazi activities. It is unnecessary to explain what this Nazi justice meant in reality. The facts of inhuman persecution and maltreatment were known only too well. But the old policy still left the mass of the Jews the hope of bare physical survival. Since Himmler's visit to the ghettos even this hope has gone. The massacre of the whole defenceless community has followed.

What was the motive behind this sudden change of policy, if the decision to assassinate millions of defenceless men, women and children can be called a policy? In spite of death penalties for leaving the ghettos and of long prison sentences for keeping in contact with people outside them, the Jews in Poland managed to keep close contact with non-Jews, and between them the underground resistance to their common enemy was organised. The narrow streets and alleys of the ghetto became centres of "black listening" and of the underground press.

Himmler and his special Gestapo envoys may have realised the enormous influence which the ghettos could exercise upon the whole Polish underground movement at a moment critical for the Germans. He decided, therefore, to liquidate them and to apply more drastic measures. The first step was to deprive the Council of Elders of the Warsaw ghetto of all its privileges and to demand from its

president the preparation of lists of people to be deported to an unknown destination. The suicide of the president was the result. The Council was then disbanded, a Commissar appointed and the terror further increased. According to available official information, at least one million Jews were tortured and murdered during the summer and autumn.

A description of the raids in the ghettos and the mass murder of tens of thousands of people is now in the hands of the Polish and US Governments. Those who were not murdered immediately were packed into cattle trucks and deported to the east in appalling conditions. Very few were able to withstand the ordeal, and the number of deaths during transportation was enormous. The whereabouts of the new settlements are in most cases unknown.

A report from Russia shows that the situation in occupied Soviet territories is no better than in Poland. The Jews had to pay a double penalty—as Jews and as Bolsheviks. Eyewitness accounts published recently by the Soviet Government tell of the horrible terror of mass pogroms organised by the German soldiers in Minsk, Kiev, Odessa, Vitebsk and in many villages all over White Russia and the Ukraine. Those Jews who still remain alive in occupied Russia live under terrible conditions. Those who managed to escape death are barely existing on the starvation rations allowed by the Germans in exchange for the performance of hard labour.

The Nazis have found good assistants in their Jew-baiting activities among their satellites. The Roumanians have, in some cases, even surpassed their Nazi masters in their treatment of the Jews in Bessarabia and in organising slaughter in Odessa. Hungary and Slovakia have introduced new anti-Jewish measures, and orders have been given by the Gestapo that the anti-Jewish laws in Belgium, Holland, Norway, Denmark and France should be enforced more strictly.

It is, however, interesting to note that this policy of mass extermination has been carried out without any publicity. Not a word was mentioned in the German press about the position of Jews in Europe. The work was done, quietly but systematically, under the supervision of the Gestapo.

Steel Industry for Peru

[BY A CORRESPONDENT]

November 30th

A CONTRACT for the establishment of a Peruvian coal, iron and steel industry, costing \$15 millions, was signed in September at Lima. The cost of construction will be met from a \$25 millions credit granted by the Export-Import Bank. This is the largest industrial programme in the modern history of the republic. The investment is self-liquidating and is to be amortised within seven and a half years after the start of production. An annual output of 100,000 metric tons of finished iron and steel products is envisaged. Nearly 4,000 men will be engaged in construction work reckoned to take two or three years, while the completed works, including auxiliary undertakings, will give employment to 5,000 workers. The Brasserie firm, which is acting as contractor, is to receive a fee of 7 per cent of the cost, exclusive of insurance and other charges, and will supervise technical operations of each new unit for six months after completion before turning it over to the Peruvian authorities.

Three main territorial divisions are being set up in connection with the undertaking. The Marcona region, within 10 or 15 kilometres of San Nicolas and San Juan bays, and 400 km. south of Callao, will furnish the iron ore. Here the ore deposits lie close to the surface. Drilling operations have disclosed reserves exceeding 10 million tons. Initial plans call for open-pit mining of 500,000 tons of ore a year for the first fifteen years. Coal to smelt the ore is to come from the Santa and Chuquincara valleys 110 km. inland from the Chimote port, which is 350 km. north of Callao. Peru has the largest known coal reserves of any South American republic. They exceed 1,000 million tons, ranging from bituminous coal to anthracite. The bituminous deposits are situated at a relatively long distance from the seaboard. To begin with, therefore, the country's anthracite deposits are being opened up. Initial output both for export and domestic consumption is planned at 500,000 tons a year, of which blast furnaces will consume 80,000 tons. As regards other essential raw materials, Peru must import annually 700 to 1,000 tons of 80 per cent ferro-manganese.

THE GIFT THAT GROWS

Here's the simple answer to all your gift problems this Christmas — Gift Tokens. They're equally welcome whatever the ages, whatever the tastes of your family, friends and staff. And they're not only patriotic—they're practical too. From the day the Tokens are exchanged for Savings Certificates or used to make deposits in the Post Office or Trustee Savings Banks your gifts start to grow in value. Another good point—Tokens are so easy to buy. You can get them from any Post Office, Trustee Savings Bank or through your Savings Group in units of 15/- up to any amount.

NATIONAL SAVINGS GIFT

TOKENS

ISSUED BY THE NATIONAL SAVINGS COMMITTEE

The third development concerns the erection of a blast furnace and steel manufacturing and finishing facilities, as well as the expansion of docks and transport facilities at Chimbote port. The establishment of a cement industry to utilise the blast furnace slag in the making of Portland cement is under consideration.

Swiss Economic Difficulties

[FROM OUR GENEVA CORRESPONDENT]

November 1st

SWISS industry is struggling on. The shortage of raw materials is felt in almost all industries, and many of them receive only 40 per cent, some even 20 per cent, of their requirements. The Federal Government has been compelled to control and restrict the use of copper, steel and cement, and a drive is now being made to collect non-ferrous metal scrap to keep the factories going. Industry has to contend with export as well as production difficulties, owing to the closure of many markets and the transport shortage. During the first nine months of the year, imports reached a value of Frs. 1,577 millions, against Frs. 1,475 millions in 1941, while exports totalled Frs. 1,106 millions, compared with Frs. 1,034 millions in the previous year. These increases are mainly due to the rise in prices as, during the same period, Switzerland imported 330,108 ten-ton truck loads of goods and exported 28,105 truck loads, which represented decreases of 7.1 and 36.7 per cent respectively.

A comparison between September, 1938, and September, 1942, shows that, during those four years, the prices of imported goods have increased by 114 per cent on the average; the rise was 206 per cent for foodstuffs, 112 per cent for raw materials, and 46 per cent for manufactured goods. On the other hand, the price of exported products has only risen by 55 per cent on the average. It is, therefore, not surprising that the cost of living has gone up. Since August, 1939, the index has risen 42 per cent, but happily the increase has recently slowed down, especially for foodstuffs, and it stood at 121 in September last (1929 = 100). The wholesale price index, which includes the principal foods and unworked raw materials, stood at 197.1 at the end of September last (August, 1939, = 100). This has compelled the Federal Government to grant a special bonus to state officials, while some industrial and commercial undertakings have raised their workers' salaries, but so far the rise in wages is not general, and is in many cases inadequate.

In spite of the difficult economic situation, there is comparatively little unemployment. There were 26,200 unemployed in January—mostly for seasonal reasons—and only 6,100 in September last. That should be ascribed, on the one hand, to the fact that a great number of persons found some employment in agriculture, which was badly in need of labour, while many others were taken up by the army.

but our whole many-sided effort to stem inflation. What of the over-harassed housewife? What of the part-time worker, whose output will undoubtedly suffer if she is excessively fatigued? And, worst of all, the longer the queue the greater the chance that urgent household needs, touching the efficiency of the war workers in it, may have to go unsatisfied, while the goods are bought by those who, by the very fact that the money could have been elicited from them by a patriotic savings appeal, would demonstrably dispense with them.

Christ Church, Oxford.

I am, etc.,

R. F. HARROD.

[Mr Harrod has apparently misunderstood the purpose of the Note. It was not intended to suggest that people should not save, but rather that they are not saving enough; and that this failure is obscured by the meaningless statistics put out by the War Savings Committee, which lead people to believe that they are doing well. Moreover, what proportion of the total of "small" savings does Mr Harrod think has been contributed by people "with a modest sum left over for pocket money"? He has also missed the point about longer queues. It is true that they would inconvenience war workers if they were for the purchase of necessities; but since the purchase of such necessities is for the most part controlled by rationing, any increase in purchasing power, due to the dropping of the savings campaign, could not affect them. The longer queues would be for the unessentials, which the harassed housewife, if she is patriotic, does not buy.—EDITOR.]

Books Received

- Columbia Home Front Warbooks.* No. 4. *Resources for Victory.* By J. E. Orchard. 36 pages. No. 5. *Financing Total War.* By R. M. Haig. 32 pages. (London) H. Milford. Paper Cover, 2s. each net.
- Doors to Jobs. A Study of the Organization of the Labor Market in California.* By E. H. Huntington. (London) Cambridge University Press. 454 pages. 21s. net.
- Futures Trading and Futures Markets in Cotton, with Special Reference to India.* By H. L. Dholakia. (Bombay) New Book Company. 303 pages. Rs. 10.
- Indian Economics.* Vol. II. Sixth Revised Edition. By G. B. Jathar and S. G. Beri. (London) H. Milford. 670 pages. 9s. net.
- The Structure of American Economy, 1919-1929.* By W. W. Leontief. (London) H. Milford. 181 pages. 14s. net.
- Fiscal Planning for Total War.* By W. L. Crum and Others. (New York) National Bureau of Economic Research. 358 pages. \$3.00 net.
- A Wavering Friendship. Russia and Austria, 1876-1878.* By G. H. Rupp. (London) H. Milford. 599 pages. 28s. net.
- Young Offenders. An Enquiry into Juvenile Delinquency.* By A. M. Carr-Saunders, H. Mannheim and E. C. Rhodes. (London) Cambridge University Press. 168 pages. 7s. 6d. net.
- The Totalitarian War and After.* By Count C. Sforza. (London) Allen & Unwin. 80 pages. 3s. 6d. net.
- The Middle Classes in American Politics.* By A. N. Holcombe. (London) H. Milford. 304 pages. 14s. net.
- Documents on International Affairs, 1938. Vol. I.* Edited by Monica Curtis. (London) H. Milford. 518 pages. 35s. net.
- Radio To-day.* By A. Huth (Geneva) Geneva Research Centre. 132, Rue de Lausanne. 160 pages. Sw. fr. 1.75.
- Transportation and Total War.* By P. C. Young. (London) Faber and Faber. 144 pages. 6s. net.
- Oxford Pamphlets on World Affairs, No. 62. Soviet Asia.* By V. Conolly. 32 pages. (London) H. Milford. 4d. net.
- What is Banking?* By R. McKenna. (London) Waterlow. 24 pages. 6d. net.
- France.* By P. Mailland. (London) H. Milford. 138 pages. 3s. 6d. net.
- Britain and the British People.* By E. Barker. (London) H. Milford. 141 pages. 3s. 6d. net.
- Soviet Planning and Labour in Peace and War.* By M. Dobb. (London) Routledge. 126 pages. 4s. net.
- The Land and Life.* Prepared for the Rural Reconstruction Association by M. Fordham. (London) Routledge. 88 pages. 4s. net.
- Labour on the Land.* By W. H. Pedley. (London) P. S. King and Staples, Ltd. 198 pages. 10s. 6d. net.
- Handbook of Latin-American Studies, 1939. No. 5.* Edited by L. Hanke and M. Burgin. (London) H. Milford. 476 pages. 22s. 6d. net.
- Occupational Mobility.* By O. Pancoast, Jr. (London) H. Milford. 155 pages. 11s. 6d. net.

(Continued on page 783)

German Europe

Curbing Speculators

DURING October there was a revival of share buying on the German bourses. For the first time, the so-called "manipulation fund" was used to prevent an increase in share prices. Speculation must have reached considerable proportions because the press began at once to discuss again the whole problem of controlling the bourses; there is no doubt that the resources of the manipulation fund were used to such an extent that they now need replenishing. After the registration of shares was made compulsory, the actual call-up of shares began in June, and shares exceeding Rm. 100,000 in value, acquired since the beginning of the war, were exchanged against Treasury bonds. Shares were called up individually; nothing was known about the extent to which the share capital in circulation was affected. The public soon forgot the uncertainty and began buying; the demand for investments became so persistent that brokers even instituted a substitute for the prohibited forward business, hoping that the fund would supply the necessary materials at the right time. The shares of the big concerns, IG Farben, Vereinigte Stahlwerke and other leading iron and steel companies, were mainly in demand; and capital adjustments in the iron and steel concerns provided the bourses with some material.

The public obviously expected that the general upgrading of the share capital of German concerns would extend to all concerns engaged in heavy industries. The much-advertised programme for the construction of locomotives created a special interest in the shares of the leading locomotive concerns. That there was a demand, apart from capital adjustments, for the shares of industrial concerns is shown by the issue of debentures to the value of Rm. 1,089 millions during the period from January to October, 1942, against Rm. 671 millions in the whole of 1941. It remains true, however, that necessary capital expenditure is mainly financed directly by the state; and movements on the bourses no longer indicate the general state of industrial concerns. Financial liquidity remains a dominant factor, and the control of speculation has only been temporarily and partly successful.

The method of control is now a mixture of threats and restrictive measures. A year ago, Dr Funk, Minister for Economic Affairs, was empowered, for the period which will end on December 31, 1942, to take suitable measures for the registration of shares. Nothing happened until February 27, 1942, when it was decreed that April 1st should be the date for registration. Step by step, new threats were made, until the call-up of shares was decreed on June 23rd. The press takes it for granted that the original decree will be prolonged for the duration of the war. At the same time, it has already been decided that registration and call-up will be extended by lowering the limit from Rm. 100,000 to Rm. 50,000. Thus, a new element of uncertainty has been introduced. The lowering of the limit is aimed at the small investor. Yet it is openly being said that not more than 10 per cent of the registered shares acquired by big investors have been called up. No doubt the new measures will temporarily arrest the upward trend of share prices. But, after a short time, the bourses will again find that the manipulation fund was not sufficient to prevent a revival of the boom. Under present conditions, the bourses cannot be closed down, and the demand for investments tends to increase the longer the war lasts.

* * *

Cutting Wages.—The wages stop, that is, the prohibition on increases in 1939 wage-rates, is still in force in Germany, and has been extended to occupied countries. Actual wages, however, have changed considerably. Over-time pay, bonuses, more piece-work and reduced rates of pay for foreign workers, have created a diversity of wages which makes the control extremely difficult if not impossible to work. For a long time, it has hardly been possible to reduce nominal wages because of increasing prices and higher taxation. Various attempts have been made by special decree to stop the distribution of bonuses paid for regular attendance, punctuality, care of tools, cleanliness at work, and even as compensation for iron savings. Bonuses for inventions, for suggestions for im-

proving working processes, for economy in the use of fuel, and so on, were generally allowed, and limited to a fixed amount of money and a fixed percentage of the workers in any one factory. Meanwhile, Ley, the leader of the Labour Front, "simplified" and reduced the number of wage agreements until they lost all practical meaning. Rationalisation, on the other hand, made the application of piece-work rates possible for the majority of industrial workers.

Speer's timekeeping engineers, who have been controlling piece wages for several months, made the "discovery" that piece rates were too high. It was disclosed that workers engaged on rush work for armaments had almost doubled their wages. This disclosure started a general discussion of the problem of wages. Ley is engaged in making "efficiency" wages popular. He has been singularly unsuccessful in introducing these efficiency wages in the building industry. The employers asked for postponement, and continued to pay wages according to the old rates. Efficiency wages are a version of piece-work rates which set the time for the production of a particular item to be enforced over an entire industry. All working processes have to be catalogued. In other words, Ley wants to put all workers on piece-work. The list for the building industry contains the time necessary for 660 different processes, and gives 1,200 different model wages. The catalogue for the iron and steel manufacturing industry is as thick as a London telephone directory. The new system is not confined to fixing the exact working time for any process. It divides the workers hitherto distinguished as skilled, semi-skilled and unskilled into eight categories, according to the time needed for different working processes. Any worker, it is explained, can thus rise to the position of a worker in a higher category provided he overfulfils his quota. Workers remaining below the fixed quota are paid lower wages. After lists have been made for all industries, a wages order will come into force, and thus complete the planned economy by the general introduction of planned wages.

Meanwhile, Ley and Sauckel, the labour dictator, are trying to find a "just" piece-work rate because the number of time-keeping engineers and statisticians is too small to complete all the necessary lists. The Nazi leaders believe that there are still great reserves inside the factories, and it is hoped that they can be mobilised by an appeal for greater efficiency. There is talk about piece-work rates kept below the efficiency level by common consent among a group of workers, particularly skilled workers. At the same time, papers complain that unskilled workers, because of the high pitch of rationalisation, frequently earn more than skilled workers, who are forced to work to precision standards. These complaints have one thing in common. They maintain that all workers are paid too much on the basis of the existent wage rate agreements. In fact, the new Nazi wages policy intends either to cut wages or to step up efficiency without paying higher wages.

The conclusion seems to be obvious. Skilled workers in German factories may have reduced their efficiency to a level which they think equivalent to the reduced real value of their wages. It may even be that here and there groups of workers are trying to regain their bargaining power in settling wages. Ley said emphatically at a recent meeting of the Labour Front that workers must not think that the Labour Front is a trade union.

Boot and Shoe Co-operative.—Shoe manufacturers, master shoemakers, cobblers and shoe retailers have been organised into a Co-operative for shoes and boots. The new organisation takes over the activities of the Control Board for leather. As usual, it is explained that a more unified organisation has become necessary because of the growing demand for footwear. The interesting point is, however, that the supply of raw materials for the manufacture and repair of civilian footwear can no longer be controlled by the Leather Board. In civilian footwear, wood and rubber for soles and textile material for uppers have almost completely replaced leather. This makes a reorganisation of the supply system necessary. The new Co-operative has special powers to enforce rationalisation in the manufacture of boots and shoes. It may close down factories, and can also insist that labour-saving methods are used.

Gas Generators.—A special appeal by Minister Speer asks all users of lorries and motor cars to adapt their vehicles as quickly as possible for the use of generator gas. The Central Department for Gas Generators, which was

Letters to the Editor

The War Savings Campaign

TO THE EDITOR OF THE ECONOMIST

SIR,—May one who has followed your persistent advocacy of a full economic effort with unstinted admiration make a protest against the perversity of the Note in your issue of November 28th entitled "Three Years She Grew"? Scepticism about the utility of the War Savings campaign is essentially based on the experience of the well-to-do citizen, with a floating bank balance or overdraft of indeterminate amount, who submits to the painful process of going over his accounts and planning economies at rather infrequent intervals. The great mass of people conduct their lives in a very different way. So much has to be set aside for rent, so much for gas, etc., and the modest sum left over for pocket money has to last until the next payday. If a patriotic appeal elicits some of this for war savings, the buyer's consumption will be reduced by that amount. Your note does admit, but in tones of indifference, that the campaign overnight would lead to longer queues and more crowded cinemas. Is this nothing? Such a result would belittle not only the savings campaign

established in May, envisaged a gradual change over, carried out by special Government departments. This seems to have been a slow process, and the users of motor lorries are now asked to effect the change on their own initiative. It is stated that a sufficient number of generator parts have been manufactured. A special subsidy will be paid as a contribution towards the cost. It is explained that all motor-car factories and garages will be used during the winter months for overhauling the vehicles of the *Wehrmacht*. The urgency of the appeal is emphasised by stating that liquid motor fuel must be freed in greater quantities for the fighting Services.

Advertising.—The President of the Advertising Committee has ordered that advertisements must not create a wrong impression about the state of available supplies. Advertisements for commodities which are in short supply

may still be published, but it must only be stated how the consumer can economise in this particular commodity. No advertisements may be published for articles whose manufacture is prohibited. Generally, advertisements must not agitate for the purchase of particular articles.

*

Housing.—The shortage of flats and rooms has been growing considerably. Various measures have been introduced, including the partition and sharing of large flats by several households. The use of flats for offices has been generally prohibited, and great numbers of families are housed in them, as during the last war. Several departments in the Ministry of Labour have been responsible for these measures, and these have now been combined under the central authority of a Commissariat for Dwellings—headed by Dr Ley, the leader of the Labour Front.

Russia at War

Industrial Front

THE latest reports from "the industrial front" show that the process of expansion in Russia's eastern war industries has not halted. The most recent achievement is the opening of a new giant blast furnace at Magnitogorsk in the Urals. The furnace has been described as the largest in Europe, "only slightly below the capacity of the largest blast furnaces in the United States." Its annual capacity is said to exceed half a million tons of cast-iron. Its construction took only five months, and the furnace was put into operation on December 5th. Another new furnace of similar size is to be opened in the Urals within the next few weeks. The Deputy Commissar for the Iron and Steel Industries has summed up the position:

The Soviet iron and steel industry now produces every type of steel required by the war industries and is fully meeting demands. This is one of the main results of our work in 1942. All the works, including those in the Urals which before the war produced the so-called trade metal, have now been completely reorganised for the production of high-quality "war metal" used in making tanks, planes and shells.

This has been achieved not by any substantial reconstruction of the eastern ironworks, but by the addition of the Southern Ukrainian plants to the equipment in the east. The Ukrainian and Azov rolling mills and furnaces were better equipped for the output of "war metal" and armour plate than the eastern works. The modern machinery of the Voronezh, Voroshilovgrad, Rostov and Stalingrad iron and steel plants has also made substantial additions to the capacity of the works in the Urals and in Siberia. The second industrial evacuation was directed straight to those distant areas, and no chances were taken this year with any "short leaps" to the middle Volga region, which was one of the main reception areas during the first evacuation, in 1941.

The results obtained show that the loss of Krivorog iron ore, which in 1938 accounted for 60 per cent of the Soviet output, has so far not visibly affected the position in the armament industries proper. This is due to a very strict curtailment of iron production for other purposes. There are, for instance, reasons to believe that the production of locomotives and of rolling stock has been very radically reduced, if not stopped altogether. But, whatever the cuts in less essential production, the fact remains that "1942 was a year of large-scale construction work in the iron and steel industry." No hints about any shortages of iron have appeared lately in the press.

In contrast to this, the coal position has remained somewhat critical. Coal is entirely denied to civilian consumers.

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

Town populations have to make do with wood. Every Russian town had to lay in large stocks of timber during the autumn. (Moscow is reported to have accumulated a stock of 300 million cubic metres of wood.) Railways have also been partly turned over to the use of substitutes for coal. The latest reports say that coal output has increased by more than one-third during the last six months; but the press does not hide the fact that the supply of coal to industries has continued to be inadequate. The coal problem has been transferred for discussion from the Commissariat of Coal to the State Defence Committee, which has laid down output programmes. And, though reports about the sinking of new mines in various coal basins appear frequently, the over-all picture remains still obscure. The main trouble is the insufficient number of coal-getters in the mines and the ineffectiveness of "socialist emulation," from which the press has stated that, in the all-important Kuzbass region, the majority of miners have kept aloof. Another difficulty is the lack of skill on the part of newly recruited miners. Most of them, especially in the Kuzbass are Uzbeks and Kirghisians who only recently went down the pits for the first time in their life. Their training has been impeded by language difficulties; the Uzbeks and the Kirghisians do not speak Russian, whereas the skilled personnel seems frequently to consist of the evacuated miners of Western Russia.

Complaints about the unsatisfactory work of some Siberian railways have again been voiced. The managers of the important Tomsk-Kuzbass line have been made responsible for delays in coal deliveries. In Karaganda, as well as in the Kuzbass, coal has been piling up at the pits and obstructing the output. The hitches in transport, it is said, are not due to any shortage of rolling stock, but to the slow turn-round of the trains and the underloading of trucks. The rolling-stock of the Siberian railways has, in fact, been increased by a number of evacuated locomotives and wagons from the west; and civilian traffic has been almost entirely eliminated by the fact that civilian journeys have been permitted exclusively to holders of special travel permits, which are granted only very rarely. On the other hand, the slow turn-round of rolling-stock is undoubtedly due largely to the scarcity of actual railway tracks in the east.

Reports from the oil industry strike a different note. An official statement puts the increase in oil output outside the Baku area, in 1942, at 40 per cent above the 1941 figure. Independent information bears out those reports. Some well-informed oil experts claim that the output of the so-called Second Baku has, in fact, exceeded the figures planned for 1942 (that is, seven million tons) by a substantial surplus. In the Baku area, output has also been stepped up, and the Baku technicians have recently started an interesting experiment in exploiting oil wells in the open sea by using a specially designed floating sea-crane. What remains unknown is the proportion of Baku oil which the Russians succeed in ferrying across the Caspian Sea, at present the only route available. A report published in the first days of December spoke of a very intensive traffic between Baku and Krasnovodsk on the southern "waist" of the Caspian Sea, where the interference of winter conditions will be relatively slight and where the distances to cover are, at the same time, shorter than in any other part of the sea.

THE BUSINESS WORLD

Pit Production Committees

PIT production committees are now operating at nearly every colliery in the country. The Minister of Fuel regards them as an integral part of the machinery of production and has drawn up a model constitution, outlining their composition, procedure and functions. The standard is that there should be four or five members, representing the management and the workmen respectively, with two chairmen, one from each side, to preside alternately; annual elections; and weekly meetings, submitting minutes and reports to the regional controller, to whom the committees have direct access. The purpose of the committees, broadly, is "to discuss and advise on all questions of production and increasing output"; and they have to consider such matters as output standards, supplies and materials, and "any factor impeding maximum production at the pit." This constitution is not compulsory and can be adapted to the requirements of the individual pit or district.

The great majority of pit committees are working smoothly and efficiently. Where the management is co-operative and the miners' leadership is good, few organisational difficulties are encountered. But, in some places, the committees operate in name only or are badly out of touch with the body of the workers. For this, the history of the mining industry during the past twenty years is to blame. Many miners have grown embittered and cynical. "If the war ended to-morrow," runs a comment from a northern pit, which had worked for three years only in the last thirteen, "the owners would ask for a reduction in wages and threaten to close the colliery." The miners want a *quid pro quo*; a Government assurance on the future of the industry would contribute greatly to their willingness to co-operate now. Some of the men are so opposed to the idea of collaboration that they look upon the workers' representatives on the committee as "bosses' stooges." To serve efficiently on a pit committee may mean to court unpopularity. In consequence, the miners' side is often insufficiently representative, and the best men do not always present themselves for election. On the managerial side, there may be an equal lack of confidence in the men, and the committees are sometimes regarded as an infringement of managerial functions. As one Yorkshire manager has said,

The management side of the pit production committee has spent the whole of its working life on the question of production. Is it feasible to expect that men with no special training can acquire such experience simply by sitting once a week on the committee?

The problem, then, is how to "popularise" pit committees to make them really live and representative, and to break down the prejudices on both sides. Many suggestions have been advanced by the committees themselves—propaganda at the pitheads, leaflets and pithead newspapers, representation of a worker from every section, the appointment of a "section steward," the election of a production officer. This last expedient has been adopted at Ashington colliery, Northumberland, where a miner, elected by the men but responsible to the pit committee, acts as liaison between the committee and the face workers; the results, in terms of increased output, have justified his appointment. Doubts have arisen about the committee's rights of inspection. The men argue that, if they cannot go down the pit, they cannot be expected to know the full position; but some management are unwilling to let the men "wander about" the pit. Major Lloyd George has, however, stated categorically that committee members should have full access to the pits.

Pit production committees are debarred from discussing wages. They have also been relieved of all responsibility for dealing with individual cases of absenteeism and indiscipline, though they may discuss the general problem. This is on the whole a popular move, since the committees had tended to degenerate into absenteeism tribunals, to the exclusion of production questions. The omission of wages and absenteeism from their agenda in no sense weakens the committees' effective powers; the terms of reference are sufficiently broad to allow the discussion of

a very wide range of topics. On the actual production side, the committees examine the previous week's output in relation to the standard, and must consider how to reach and, if possible, exceed it. In some areas the men feel strongly that the present method of district award will not produce the best results, and urge that the bonus should be given on the basis of individual pits or even individual seams or coal-faces. Many suggestions have been made by the men's side for improved methods of extraction; increased mechanisation—at one committee the workers alleged that the company was trying to get too long a life out of pneumatic picks, which were used by 75 per cent of the miners; transfer to more productive seams; and the elimination of boundaries which impede maximum production. Deficiencies in supplies, such as delays in delivery, scarcity of wagons and tubs, poor quality timber, defects in machinery and shortage of spare parts, naturally bulk large in discussion; and, though the committee itself may not be able to provide the solution, it can at any rate see that the matter is referred to the appropriate authority. There is general anxiety about recruitment to the industry and the training and up-grading of new entrants. The shortage of boys to do datal work and putting has slowed down output in more than one area. Another matter of concern is the shortage of hewers and the use of inexperienced men at the face, with inevitable increase in the accident rate. The men's representatives have raised many questions affecting welfare and working conditions. Pit-head baths are asked for at collieries where there are none, and the inadequacy of canteens is a frequent source of complaint. Durham miners say that hewers cannot be expected to increase their output on a pie, instead of the beefsteak and puddings to which they are accustomed. At another pit, representations were made for the men to get more food at the local British Restaurant, as they had no canteen of their own. The burden of fire-watching and Home Guard duties, transport difficulties, housing shortage, health and safety precautions—these are but a few of the subjects which are troubling the miners and in consequence affecting their productivity.

It is probably true that many miners are ignorant on technical mining matters, and that some of the points they raise may be trivial or impracticable. On the other hand, they have practical experience and knowledge, and a large number of their suggestions have been found workable. The evidence so far available suggests that the activities of pit committees during recent months have contributed, in no small measure, to improvements in production in several districts. But, quite apart from their direct physical bearing on output, which has not been very considerable—nor in the short run was it ever likely to be—pit committees may have important psychological effects. The President of the South Wales Miners' Federation was not exaggerating when he spoke at the Blackpool meeting of the Trades Union Congress of the tremendous effects on production of "unleashing the enthusiasm of the workpeople." For the first time in history, the men feel that they are being taken into the confidence of the management, and are enabled to contribute something tangible. Grievances which might in the past have led to strike action, can be aired and frankly discussed. Above all, through the system of open election and the exercise of responsibility by those who are elected, the committees may provide an education in democratic practice and practical democracy. The average miner is accustomed to register his vote at a Parliamentary election, but Westminster seems remote from the affairs of Hetton-le-Hole or Merthyr Tydfil; the miners' lodge secretary may be used to negotiating with the management on wage questions, but not to sitting round a conference table with him, as an equal member of the pit committee. The same considerations apply equally to joint production committees in engineering factories and shipyards.

The introduction of this type of workshop or pit

democracy represents a new stage in British industrial development. Joint production committees are admittedly a wartime expedient, and the agreements setting them up provide for their termination at the end of the war. Whitleyism, which aimed at creating permanent joint consultative machinery, failed to establish itself on a national scale after the last war—largely because it was imposed from the top and because the older, well-organised

industries would not touch it. Production committees, on the other hand, have derived their main impetus from below and are firmly attached to the trade union movement. There can be no doubt that the present participation of the workers in the organisation of production and the new spirit of co-operation which is found in the best committees are bound to have far-reaching effects on industrial relations in the postwar years.

Plastics and the Investor

AFTER the Stone Age, the Bronze Age and the Iron Age—the Plastics Age; “if there are Stock Exchange booms after the war, the first will be a plastics boom”; “in future, we should plan in plastics”: these are some of the claims made for one of the newest of the new industries. Actually, the likelihood of, say, plastics ousting steel, as some enthusiasts have suggested, is still very remote; and the chances are that a growing demand for plastics will be accompanied by a marked expansion, compared with before the war, in the world demand for steel. To call plastics a new industry may seem somewhat of a misnomer: bitumen was known as a plastic in 2000 B.C.; shellac was used in pre-Christian times; cellulose plastics have been made and used for nearly 80 years; and it is 34 years since the discovery of phenolic resins opened the way to the commercial development of thermo-setting plastics which, having once hardened, remain impervious to further heat. This discovery, whose exploitation on a significant scale really began after the last war, changed the characteristic plastics products from small but useful articles, in decorative colours, to materials capable of being

(Amounts in £'000)

Company (and Balance Sheet Date)	BRITISH INDUS- TRIAL PLASTICS (Sept. 30)	BRITISH XYLONITE (Dec. 31)	CATALIN (Dec. 31)	CRYS- TALATE (Sept. 30)	ERIMOID (July 31)	LAC- RINOID (Dec. 31)
Chief Products	Moulding Powders, Unbreak- able China, etc.	Holding Co., Celluloid and Synthetic Resins	Plastic Moulding	Plastic Moulding, etc.	Casein Products, Non- inflam- mable Celluloid	Plastics Acces- sories
Capital (Issued):						
Deb.	Nil	Nil	2.5	Nil	Nil	Nil
Ord.	14.8	400.0	Nil	150.0	55.0	Nil
Total	428.5	300.0	198.0	225.0	275.0	100.0
Profits (£'000):						
1939	110.7	94.0	Dr. 10.7	Dr. 2.5*	51.6	9.1
Latest year	169.1 (1941)	74.4 (1941)	9.5 (1941)	52.1 (1942)	106.7 (1942)	26.6 (1941)
Earnings for Ord. (%):						
1939	10.4	15.0	Nil	Nil	Nil	7.9
Latest	8.2	11.5	Nil	Nil	17.4	13.0
Paid on Ord. (%):						
1939	8	10	Nil	Nil	Nil	5
Latest	6	10	Nil	Nil	10	9
Present Price (Ord.)	4/9	32/6	3/-	1/4	9/9	4/3
Yield on Earnings (%)	3.45	7.06	Nil	Nil	8.92	6.12
Yield on Div. (%)	2.53	6.15	Nil	Nil	5.13	4.24

* Eighteen months to September 30, 1939.

used in substitution for those of many older industries. The timber, steel and building industries are in the first line of “attack” by the plastics industry; and it is clear that a group of trades using indigenous materials, which is already producing articles ranging from tooth-paste caps to aeroplane parts, motor-car bodies and piles which will withstand a greater driving force than the hardest timber, and is chemically related to the “synthetic” textile, oil and rubber producing industries, obviously has very great potentialities.

It seems probable that the plastics industry will eventually provide investors, through the Stock Exchange, with a varied and profitable range of new securities. It may be asked why the industry and the investor are not better acquainted already. Companies engaged solely in plastics manufacture, whose shares have a market quotation, can be numbered on little more than the fingers of one hand. Their capital, as Stock Exchange companies go, is relatively small, and their shares are not always obtainable readily in the market. None of the companies in the

attached table has a paid-up capital under all headings exceeding £700,000, and the average capitalisation is little more than £350,000. Some of the companies work only a single proprietary process, and two companies have not yet reached the dividend-paying stage. Certain companies, again, were established not many years before the war, and consequently may not have a particularly high EPT standard. The industry as a whole, however, is playing an important part in the war effort; and even after EPT the equity earnings of the majority of companies in the table are running at a reasonable, though certainly not a spectacular, level. But, in the instances where there is public participation in the equity interest, the present yield basis is low. In other words, post-war progress is already discounted for some little time ahead.

Possibly, a reader of *The Economist*, who may chance upon this article at some future time, may recognise, in the names of one or more companies in this table, the “Imperial Tobacco” or “Courtaulds” of his day—some powerful “leader” of its industry and its Stock Exchange market. But it is equally possible that, by that time, the present “leaders” themselves—or one or more of several other large companies now famous for other products—may fill that rôle. Already some large companies whose main interests lie elsewhere have developed plastics as something more than a sideline. The list includes Imperial Chemical Industries, British Celanese, and Distillers, all of which have plastics subsidiaries. Among smaller but sizeable concerns with important plastics interests are E. K. Cole and Monsanto Chemicals. Thomas de la Rue have very recently registered separate subsidiary companies to take over, respectively, their plastics branch and their business in playing cards, fountain pens and stationery. The plastics subsidiary has an authorised capital of £1,000,000.

For the investor, a purchase, say, of ICI with the object of acquiring a stake in the plastics industry is like buying a house for the glass in its windows. Yet it would be hazardous to say how far the future prizes in the industry will go to the plastics producers proper or to the more general concerns which have adopted plastics as a promising youngster capable, perhaps, one day of taking over the family business. The investor at the present stage cannot possibly make up his mind.

There are, however, at the moment two considerations which, so far as they go, tend to put the odds in favour of the second group of companies, the general concerns which have adopted plastics as a sideline. The first is that, after the war their EPT refunds will be a function of their total wartime excess profits, they will be available for capital development in those branches of business which seem to offer most scope for expansion. Courtaulds, in addition, will have many millions for investment as a Viscose holding—though it is not known to have so far any considerable interest in plastics as such. Yet was it not originally a crêpe manufacturing company which boldly experimented in a new industry?

The second consideration favouring the “mixed” companies is that, as the industry is now developing, it seems to promise greater future rewards to the large than the medium or small concern. The size of the plant required—particularly for the laminated plastics—increases much more than in proportion to the size of the product. Many of the most profitable plastic products of the future will be outside the range of any but the very large unit, with plant costing probably some millions.

In any case, from experience it would seem hardly desirable, from the investor's point of view, that, after the war, there should be an exaggerated Stock Exchange boom in plastics, with a host of new and small companies competing for the investor's suffrage. It is better that capital

market history should never repeat itself in that way. The annals of many “new” industries—motors and rayon, for example—show that the first stage of large-scale development is seldom profitable to the outside public investor. It is a matter for the skilled entrepreneur and those who are prepared to back him. The investor's opportunity comes later.

Finance and Banking

Year-End Preparations

The approach of the year-end has already made its effect felt on the money market. The banks have virtually ceased to buy bills from the discount houses, and this abstention from the market may well continue until the close of the year unless the demands on the banks for Treasury deposit receipts payments are abated next week. The banks, however, continue to be abundantly supplied with funds and the discount market has encountered no difficulty in financing the steadily accumulating holdings of bills in its portfolios. The banks naturally prefer to strengthen their second line of defence at the moment, short loans being more readily converted into cash for the year-end balance sheet window dressing than bills. The market, for its part, will, unless relieved by an immediate resumption of bank buying of bills, have to seek considerable assistance from the authorities over the turn of the year. This assistance will probably be provided on open market terms and will not necessitate rediscounting at Bank rate, or borrowing on the official terms. The current abundance of resources is all the more striking in view of the exceptional outflow of notes into circulation. A further £18,800,000 of notes went into circulation over the past week, carrying the total outstanding to £908,323,000. In the corresponding week of last year the rise in the circulation amounted to £13,467,000. The latest increase leaves £41,918,000 of unissued notes in reserve, and though two more weeks of expansion have to be fed from this reserve, it will no doubt withstand the seasonal peak in the demand for currency. The effect of the increased withdrawal of notes on the credit position has been wholly neutralised by a further increase of £21,315,000 in the bank's holding of Government securities.

U.S. Silver for British Coins

It was announced in Washington this week that American silver would be made available to Great Britain and Australia on lend-lease terms. The requests were made some time ago. In commenting on the agreement, Mr Morgenthau stated that the silver would be lent on the understanding that it would be returned to the United States after the war. In other words, these operations will be treated independently of the Mutual Aid agreement, and the provisions for repayment are far more specific than in the case of other lend-lease transactions. The silver in question will not, of course, pass through the market. Even were it required for industrial purposes it would be made available direct by Government agencies to factories working for Government account. The silver in question is, in fact, required for coinage purposes. The demand for subsidiary coins is rising with that for notes, though it is interesting to note that the two movements have not followed altogether parallel lines. The expansion in the note circulation from the outbreak of the war to October was 77 per cent, compared with a 27 per cent increase in the estimated coin circulation. The authorities had prepared a special issue of Bank of England notes of small denominations for use in an emergency, but it is evidently not their intention to put them in circulation under present circumstances. The appreciable silver reserves, which existed in this country at the outbreak of the war, have probably been reduced to a small fraction of their former total. Although they have been reconstituted more than once by official purchases from the Indian Government's domestic reserves, the increased industrial demand for silver, together with the gradual disappearance of imports of newly mined metal, must have eaten deeply into accumulated stocks. If, in these circumstances, it is necessary to find substantial amounts of silver for coinage, the United States is the obvious source from which to obtain them. To continue importing silver from India would have disadvantages, since it would stimu-

The general conclusion, altogether, would seem to be that plastics has not yet reached the stage at which an outside investor can pronounce on its prospects with any degree of certainty. Unquestionably, it will be a major industry in the future. But as yet it is impossible to know which horses to back—and whose colours they will be carrying at the starting post.

late the already rapid accumulation of sterling reserves by India. It is rather surprising that the authorities should be going out of their way to import silver for coinage purposes when the domestic industrial demand for America's silver is so considerable and when an alternative form of small denomination currency is ready to hand in the form of small Bank of England notes. It cannot be a distrust of paper currency which is holding back the issue of these long-prepared notes.

One of the reactions to the news that US silver is to be made available to the United Nations has been a sharp break in the Bombay price. The spot quotation in that market has fallen this week from 104 rupees 12 annas to 96 rupees 8 annas.

Swiss Gold Market

Messages received from Switzerland appear to suggest that the authorities in that country are tightening their control over the open gold market. Dealings in that market are to be subject to licence by the Swiss National Bank, and the prices quoted will be limited to the official selling price of the central bank, namely 4,970 francs per kilo fine. The price for gold bars had risen to about 5,600 francs in the open market, while even higher equivalents have been paid for coins. It remains to be seen whether the official attempt to suppress free dealings in gold will be altogether successful. It must not be forgotten that a considerable amount of gold found its way to banks and safe deposits in Switzerland on private account in the years before the war. That gold has not been mobilised by the Swiss authorities since the war, and, with this considerable volume of privately held gold in the country, it must be difficult to prevent transactions at prices other than those decreed by the authorities. Although the Swiss National Bank has been steadily gaining gold as a result of the conversion of dollars, the whole of that substantial addition to its reserves—it amounts to 1,053,700,000 francs for the past year, representing an increase of 58 per cent—is held earmarked in New York. The holding in Switzerland itself was falling in the early part of this year, partly as a result of withdrawals of bars which were being exchanged for coin. The reason for this traffic was the high premium commanded by gold coins, not only in the Swiss open market, but more particularly in black markets throughout the Continent. The Swiss authorities consequently issued their embargo on sales and export of coins. The Swiss National Bank continues to be a somewhat reluctant buyer of dollars, as it does not relish the prospect of inflating the currency position at home against the accumulation of foreign exchange resources, even though these can be converted into gold. The position would be far more satisfactory from Switzerland's point of view if it were able to import, in the shape of materials it urgently requires, the current excess on the international balance of payments. A comparable dilemma was solved by Sweden

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Wanted Economic and Financial Research Expert to assist a Committee during preparation of Report on Money, Banking and Taxation in connection with Post-War Reconstruction. Part-time no objection. Write, giving particulars of qualifications, experience and salary expected to Box 19, *The Economist*, Brettenham House, Lancaster Place, W.C.2. [AD VT.]

in the last war by refusing to buy more gold and letting the exchange rate of the currency appreciate. There is as yet no evidence that the Swiss authorities contemplate following the same course. The reduction in the free market price of gold, which may follow the steps recently taken by the Swiss authorities to control that market, should certainly not be taken as evidence of such a policy. On the contrary, it may well be accompanied by the establishment of a black market in which the prices quoted for gold will range appreciably above those recently seen in the free market.

Barclays Bank (Dominion, Colonial and Overseas)

The annual reports of Barclays Bank (D.C. and O.) have of late acquired exceptional interest from the fact that it is this institution which has followed with its banking services in the wake of the advancing British armies in East Africa and the Middle East. Recognition of the growing importance of the bank's business in East Africa has been provided by the formation of a local board at Nairobi, which will control the bank's branches in East Africa as well as those in Eritrea and Ethiopia. An interesting point mentioned by the chairman, Sir John Caulcutt, in his statement accompanying the report, is that only an unimportant part of the £62,574,000 of cash in hand held on September 30th, the date of the last balance-sheet, was represented by gold. The reduction in the metallic reserve is due to the fact that the bank no longer has to maintain a gold backing in respect of Southern Rhodesia notes, as the currency issue there has been taken over by the Government. Sir John Caulcutt also makes interesting references to the finances of the colonial territories in which the bank is represented. He points out that the revenues of the colonies which the bank serves have been buoyant during the war period, and that large official contributions for war expenditure were made by these territories to the British Government. In the summer of 1940, however, this policy of making outright grants was altered at the request of the British Government, and instead the contributions took the form of loans without interest. It is intended that the

sterling represented by these loans should be available for financing reconstruction work in the various colonies after the war.

Banking in South America

Lord Wardington's review of economic conditions in South America, attached to the report of the Bank of London and South America, necessarily has a melancholy strain running through it. Economic intercourse between this country and South America is dwindling to a mere trickle. The countries of South America are, on the whole, prosperous, the trade with each other has been expanding, and they have made new trade agreements with the United States. But it will take a great deal to make up for the loss of most of their European markets, while their trade with the United States and the United Kingdom has of late been acquiring a somewhat one-sided character. This is reflected in the abundance of their dollar and sterling resources. As to the dollar position, it is significant that only slight use has been made by the South American countries of the substantial credits placed at their disposal by the Export-Import Bank for capital developments. The capital goods cannot be obtained, and, if they could, it would certainly be difficult to transport them from North to South America. As regards sterling, the position is equally unbalanced, and Lord Wardington points out that sterling balances continue to accumulate in the Special Accounts of those countries which supply Britain with large quantities of foodstuffs. The future of Anglo-South American trade must to some extent be conditioned by the developments now taking place and in particular by the growing industrialisation of some of the countries concerned, and by the closer links being forged with the United States. Lord Wardington, however, sees hope in the essentially compensatory nature of much of that trade in the past—the exchange of foodstuffs for coal, for example—and in Britain's ability to provide the specialised manufactures which, as a highly industrialised country, it should be equipped to produce and sell at competitive prices.

Investment

Business Recovering

Whatever may be said as to the amount of speculative business in terms of value—and it is almost beyond doubt that it is a very small proportion of total turnover—in terms of bargains done, it appears to be very substantial. According to the indices of *The Financial News*, the changes as between the peak of the second week in November and the nadir of four weeks later in the sub-groups they select were as follows. There was a modest increase of 2½ per cent in gilt-edged business, coupled with falls of 25 per cent in rails and 33 per cent in industrials, and one of over 80 per cent in the speculative section, which includes only mining of metals. Beyond saying that a small number of the bargains done in gilt-edged are individually so large as to reduce much other business to insignificance, it is impossible to obtain any general idea of the relative importance of individual bargains. So far as absolute numbers are concerned, and including oils and rubbers in the speculative section, the number in the industrial group, which excludes home railways, *inter alia*, was almost twice as great as that in the speculative section, and five times as great as in gilt-edged. It would be necessary to make elaborate calculations as to the number of companies whose shares were dealt in in each group before it was possible to reach any conclusion as to the probability of the size of bargain falling with any given increase in numbers of transactions, but the impression gathered in the market was that the size fell off very rapidly. Despite a slight improvement in number over the past week, the figures are now almost certainly sub-normal, even for war conditions, but there is an increasing volume of inquiry. The net decline in prices is rather over a half of 1 per cent in equities and appreciably less in fixed-interest stocks. The general course of prices, excluding overseas enterprises, has been much more steady in the past eighteen months or so than for some years prior to 1941. It is not unusual for prices to improve from the commencement of the New Year. There

have been moderate rises in the first few weeks of each of the past three years, followed on two occasions by a considerable relapse, owing to a reverse in Libya and Japan's entry into the war. While it is exceptionally difficult to make a forecast, it can be said that appearances suggest an early resumption of price rises in selected equities and junior fixed-interest securities, while there is nothing at present in sight to indicate that a spectacular reverse is to be expected.

Guidance for Accountants

The decision of the Institute of Chartered Accountants to circulate to their members, and to the press, a number of recommendations as to the proper treatment of certain new items is very welcome. It is even more satisfactory that the Institute proposes, from time to time, to publish further recommendations. The matters covered by the first batch are tax reserve certificates, War Damage premiums, and a reminder about the forms of note agreed with the Ministry of Information as appropriate in cases where fixed assets had suffered war damage. These are all new problems on which a bewildering variety of practice was growing up. The recommendations appear unexceptionable. In particular, it is very welcome that the official view of war damage premiums is that, in all ordinary cases, they should be met out of current profits or free reserves. It is not quite clear whether this circular is the first fruits of the new Taxation and Financial Relations Committee, or whether it is to be regarded as the continuance of an older tradition under auditors. In either case, the real interest lies in what happens in the future. This applies both to the attitude of individual accountants and auditors to the circular, and to the intentions of the Council as to a number of knotty problems which have long awaited resolution. On the former point,

members of the Institute are free to act as they think fit. It is the belief of *The Economist*, expressed more than once in a recent series of articles, that their position *vis-à-vis* boards of directors will be greatly strengthened if they adopt the recommendations and present them as the considered view of the leaders of the profession, which is what they are. In the circumstances, it is perhaps a little unfortunate that *The Accountant* should go out of its way to stress the permissive character of the recommendations. The individual accountant or auditor has, of course, a responsibility towards his clients. But, if he believes the recommendations to be good, that is best performed by recommending them to be good, that is best performed by recommending them to be good, that is best performed by recommending them to be good. As to the doing his utmost to see that they are accepted. As to the second, and larger, point, that of securing a more uniform and informative treatment in the presentation of accounts, both published and private, it can only be hoped that this step is a beginning, and that it will be followed without delay by further action.

Discouraging Speculation

The first result of the investigation carried out by the Stock Exchange, instigated by the recent allegation of speculative activity, takes the form of a new temporary regulation. The Committee for General Purposes found some evidence that the delay, beyond the five business days allowed for passing names for stock purchased, had increased. The number of cases in which there was no evident explanation of the delay was very small—the usual reason is either shortage of staff or postal delays. Nevertheless, it has been decided that the notice of September 13, 1939, dealing with this matter shall be incorporated in the new regulation, which, in addition, requires that the name-ticket shall bear the date of the bargain. The sanction for non-compliance is that brokers should "sell out" against the defaulter. This is not made obligatory, but the whole intention of the regulation is that the broker, who does not receive the name, should more often transfer the onus for deciding whether action should be taken to the Manager of the Buying-In and Selling-Out Department. Members are further urged to expedite by every means, including increased use of telephone and telegram, all stages in the passing of names. It seems that this is as far as the Committee can go in these difficult times, and a fairly extensive experience of such matters suggests that the regulation will not fail of its effect. A further step, approaching the problem from a different angle, has been taken by suspending Rule 195 during the currency of the new regulation. This rule permits a broker to charge only one commission for buying and selling the same security for the same principal during any period of, approximately, 28 days. The suspension will thus increase appreciably the cost of such short-term speculation as exists. The suspension does not affect business in gilt-edged securities in amounts of not less than £50,000 stock. It is believed that this virtually exhausts the possibilities so far as general regulation is concerned. Action may be possible in other respects, although it is, perhaps, probable that it will be of a limited and personal character rather than of general application. The investigation tended to confirm that frankly speculative business remained, at its greatest, a minute fraction of even wartime turnover, and suggested that the changes set out above will have no striking effect, since, even when buying was ill-informed, there was very little attempt to "run" stock.

The Demand for Bricks

The decision of the board of London Brick, to postpone any consideration of a dividend for the current year until the full results are known, is the first evidence of the effect of further concentration upon the industry. The announcement was very late and shareholders must have been prepared for the result. None the less, it may prove to have been reached with reference to future earnings rather than to the actual business of the first half of the year. Concentration was to have been carried out early this year, but it was postponed by construction of quarters for the American troops, and there have been hints of a further restriction in its severity in the statement that some rehousing might prove feasible during the war. Both this and the building for troops will, presumably, be on Government contract and the profit on it is not likely to be large. Failing any relief, the full rigour of the proposed quota, coupled with the closing of selected works and a levy to

finance their maintenance, must presumably come into force. This would seem to indicate that, for the duration of the emergency, profits are likely to be low. For 1941, London Brick earned some 15 per cent and paid 10, against twice that figure in the last pre-war year. For 1942, it seems very probable that the dividend will be materially reduced. If so, the £1 shares, 3s. 9d. down at 48s. 9d., give a yield which discounts a very substantial post-war recovery. The plans for the organisation of the industry are believed to be far advanced, and it is the express intention of the Government to spread out rebuilding over a substantial period. Recent building is believed to have reduced stocks to reasonable proportions, and it is highly probable that the companies will be in a good position to do well in a buyer's market. It is, however, far from improbable that prices will be fixed, not by the trade, but by the Government. Shareholders have a right to expect a substantial return on their investment, but it is doubtful whether payments of 20 per cent and over, such as were made in the period 1933-38, should be envisaged.

Company Notes

P and O Report

The accounts of Peninsular and Oriental Steam Navigation show a decline in earnings of fleet of some £150,000 and in total profits of more than £200,000 in the year to September 30th last. As the following table, analysing three years' receipts and distributions, makes plain, the jump in equity earnings of more than £100,000 to £830,342 is due solely to the suspension of transfers to provident good service account. The 8 per cent dividend on deferred capital is maintained, covered by earnings of 28.1 against 23.8 per cent, but the transfer to tonnage replacement reserve is reduced from £250,000 to £100,000. A sum of £37,936 against £100,000 is written off properties and £350,000 taken from profits to write down investments in subsidiaries, to which is added £400,000 from the company's investment reserve. The reason for this substantial provision is, as the deputy chairman, Mr A. O. Lang, points out, the loss of tonnage by the group, with the consequent reduction in income from subsidiaries. The balance sheet shows a fall in net holdings in shipping subsidiaries from £10,602,233 to £9,869,004. Loss of the company's own tonnage is understated by the reduction in the balance



Keep warmer on BOVRIL

sheet valuation of fleet from £5,382,947 to £4,824,839, since the latter figure includes payments for new tonnage. The decline in earnings, resulting from shrinkage of the fleet, is likely to continue, since there is no sign that new ships taken over will, for some time at least, equal further losses. Tonnage replacement reserve receives a total addition of £639,465, including the transfer from profits, and this may give some indication of the company's own loss. The reserve now stands at £3,630,940, exclusive of Government

	Years to September 30,		
	1940	1941	1942
Earnings of fleet.....	2,075,794	1,458,335	1,309,104
Total revenue.....	2,976,520	2,421,821	2,211,980
Depreciation.....	1,034,068	980,214	911,766
Expenses*.....	248,303	55,424	23,707
Provident good service.....	225,000	200,000	...
Interest charges.....	321,042	303,896	294,165
Preference dividend.....	152,000	152,000	152,000
Deferred stock:—			
Earned.....	996,107	730,287	830,342
Paid.....	344,438	367,402	367,402
Earned %.....	32.2	23.8	28.1
Paid %.....	7½	8	8

To reserves.....	550,000	250,000	100,000
Special items (net).....	92,968	100,000	387,936
Carry forward.....	173,498	186,385	161,389

* Including War Damage contributions of £27,209 in 1941 and £1,655 in 1942.

tonnage replacement account, which has risen to £568,800 by an addition of £84,300. The reduction in fleet is accompanied by a rise in holdings of Government securities from £8,134,674 to £9,500,298, an acquisition which accounts for the increase in net liquid assets from £5,581,899 to £7,439,218. Total reserves and carry forward stand at £9,393,881, against £8,779,410. Mr Lang mentions a possible extension of the interests of the group to air transport after the war. The £1 deferred stock, at 31s. 9d. ex dividend, yields £5 os. 9d. per cent.

Burmah Oil Accounts

The Burmah Oil report for 1941 covers a period which fell wholly outside Japanese occupation. Thus, apart from the fact that trading profits of companies operating in Burma are partially estimated, the accounts show little trace of the impact of the war on the Far East. The following table, which analyses receipts and distributions over the past three years, reveals a substantial increase in gross

	Years ended December 31,		
	1939	1940	1941
Trading profits*.....	2,298,328	2,768,233	3,530,711
Total profits*.....	4,684,361	3,769,498	4,867,894

Depreciation.....	370,000	...	...
Taxation§.....	673,051	1,474,728	2,071,565
Fees and expenses.....	207,395	149,158	113,881
Prof. dividends.....	300,000	300,000	300,000

Ordinary stock:—			
Earned.....	3,133,915	1,845,612	2,382,448
Paid.....	2,884,668	2,060,477	1,717,064
Earned %.....	22.8	13.4	17.3
Paid %.....	21	15	12½

General reserve.....	250,000	250,000	650,000
Carry forward.....	701,401	236,536	251,920

* After depreciation in 1940 and 1941. § Including £400,000 to tax reserve in 1940 and £150,000 in 1941. † Unadjusted for Dominion Income Tax Relief.

profits and shows that equity earnings, unadjusted for Dominion income tax relief, would, after the reduction in the additional transfer to taxation from £400,000 to £150,000, have covered the previous year's 15 per cent dividend. The reduction to 12½ per cent, less tax at 6s. 9d., is, of course, due to the military events of 1942 and the complete loss of plant and installations in Burma. The transfer of £650,000 against £250,000 to general reserve brings the total of this fund to £2,000,000. The directors have attempted to provide against immediate and more distant liabilities arising out of the disaster by transferring, *in toto*, fields expenditure equalisation reserve and, in part,

fire and marine insurance reserve to a war contingency fund of £3,400,000 in the consolidated statement. This sum is, as the chairman, Sir John Cargill, points out, equivalent to the book value of the Burmese interests. No close estimate can be made of the extent to which current assets are realisable, but on the most conservative reading it is plain that total current liabilities of the group of less than £6,000,000 are more than covered by the holding of £8,426,740 of British Government securities. Moreover, cash holdings have risen from £76,593 to £1,575,879. It has always seemed probable that Burmah Oil would continue to distribute its considerable investment income during the period of stress; it is now clear that the liquidity position is far from critical. It may reasonably be assumed that, when the time comes, the resources of the group will prove adequate for reconstruction. The £1 ordinary stock at 53s. 9d. ex dividend yields £4 13s. on last year's total distribution, less tax at 6s. 9d.

Crompton Parkinson Expansion

The full accounts of Crompton Parkinson show a rise in total profits from £419,154 to £438,248 in the year to September 30th last. Net profits, which were discussed in a note on the preliminary statement in *The Economist* of December 12, 1942, provide equity earnings of 37.4 against 34.9 per cent, after including the capital allotted to Young Accumulators, as cover for the ordinary and "A" ordinary dividend, maintained at 20 per cent. The preliminary figures, however, gave little indication of the scope of the expansion which the Crompton Parkinson group underwent last year. The balance sheet of the company—which should be amplified by a consolidated statement—shows a jump in bank overdraft and short borrowing of some £900,000 to £1,001,189 and a decline in cash from £126,558 to £19,462. These movements, and an increase in creditors from £856,760 to £1,103,639, have financed an expansion in the total of stocks, work in progress and debtors of £905,107 to £2,991,361 and in net loans to subsidiaries and associates from £287,500 to £441,013. Net liquid assets are down from £1,187,098 to £934,936, but the liquid position, despite the shortage of cash, remains essentially sound. The group is supplying vital electrical equipment on an unprecedented scale and has so far contrived to control the upward trend of costs. The 5s. "A" ordinary stock, at 24s., ex dividend, yields £4 3s. 4d. per cent.

Three Midland Motor Results

The latest reports of three leading motor companies, *Alvis*, *Rover* and *Standard*, confirm the view that the period of technical adjustment to war conditions is over. Little is disclosed about the output of the concerns, except that it is now wholly on Government account. The following table shows that equity earnings of all three companies were

Company and Date of Accounts	Total Disclosed Profits	Earned for Equity		Dividend	December 16, 1942	
		Amount	Rate		Price	Yield
<i>Alvis</i> (July 31):						
1940.....	147,778	161,412	16.0	5	ex. dividend	£ s. d.
1941.....	104,675	36,873	11.5	5	at	
1942.....	118,369	62,523	20.8	5	5/3	4 15 5
<i>Rover</i> (Aug. 1):						
1940.....	242,723	65,903	18.4	15	8s. shares	
1941.....	326,956	45,323	14.5	15	at	
1942.....	112,425*	101,782	32.6	17½	21/-	6 13 4
<i>Standard Motors</i> (Aug. 31):						
1940.....	326,735	71,458	17.2	15	5s. shares	
1941.....	463,981	86,156	23.5	20	at	
1942.....	230,006*	162,684	44.1	25	23/3	5 7 8

* After tax, except tax on dividends.
† After depreciation and tax, including tax on dividends.

higher in the latest year, and that, in the case of *Alvis* and *Rover*, the rise follows a setback in 1940-41. *Rover* and *Standard* have, unfortunately, in the latest year adopted the practice of showing total receipts after tax and depreciation, so that no comparison can be made of the gross figures. It is, however, clear that there has been a substantial rise. Both these concerns have passed the improvement on to shareholders with increases in payments of 2½ and 5 per cent, respectively. There is no increase in the 5 per cent *Alvis* dividend, the whole of the surplus going to raise reserves and carry forward and to write off £8,656, loss on realisation

of investments. The latest transfers will raise general reserve to £185,000 and war contingencies to £40,000. The directors of *Standard* have decided to transfer £144,258 from war contingencies, previously totalling £145,000, in order to write off stock obsolescence, and the directors of *Rover* point out that adjustments will eventually be required in certain balance sheet assets. It is, of course, clear that another and possibly more drastic readjustment lies before all these concerns and that substantial funds will be required for reconstruction and obsolescence. The present moderate boom can hardly outlast the war, and the decision of all concerns to restrain ordinary payments well below the limit of the free surplus is inevitable. The directors of *Rover* are none the less wise to have taken the initiative in instituting a progressive system of employees' benefits and pensions and in proposing the introduction of employees' shares. In the return to freer competition and choice of employment which may follow the peace, good labour relations will be a commercial asset as well as a social obligation. Yields on the equity capital of the three concerns are sound.

Turner and Newall Profits

The very full preliminary statement of Turner and Newall shows trading profits for the year to September 30th last of £2,407,550, against £2,545,721. Depreciation receives £188,196, against £188,908, and the customary £10,000 is placed to staff funds. The concern's liability for tax is £1,686,218, against £1,847,762, due in part to the rise in Dominion Income Tax Relief from 6d. to 9d. on the 10s. standard rate. Thus, after meeting preference dividends, there is a net rise in equity earnings of nearly £10,000 and the 12½ per cent ordinary payment is covered by a rate of some 16.4 against 16.0 per cent. After placing £100,000 as usual to general reserve, the carry forward is raised from £65,189 to £78,440. In the circumstances, the decline in trading profits requires explanation, which will no doubt be provided by the full accounts. In view of the world-wide and essential nature of the interests of the group, the most probable explanation is rising cost rather than declining business activity. The £1 ordinary stock, at 73s. 9d. ex dividend, yields £3 8s. 6d., less tax at 9s. 3d.

ABC Recovery

The latest accounts of the Aerated Bread Company for the year to September 30th last show a striking recovery in profits from £265,937 to £499,722. In spite of a rise in tax provision from £67,500 to £260,000, the provision of £75,000 for depreciation and the transfer of £21,088 against nil to write off ARP, it is possible to pay three years' preference dividends, thus eliminating arrears, and to distribute 5 per cent on the equity. Equity earnings amount to £34,462, against nil, representing 5.4 per cent as cover for the first payment on ordinary capital for four years. The carry forward is raised from £57,216 to £59,628. The basis of the recovery, despite rationing and higher transport costs, has, as Lord Greenwood points out, been the full utilisation of the new factory and bakeries completed in 1939. It appears that there has also been a substantial saving in labour costs as a result of the introduction of the cafeteria principle. The balance sheet shows a welcome improvement in the liquid position with the elimination of the bank overdraft of £488,261. There is still, however, a total of surplus current liabilities of £421,548 against £511,073. Net loans to subsidiaries are reduced from

£4,669 to £3,601. There is an increase in stocks from £114,448 to £123,376. The prospect for a further rise in gross receipts is good, but, as Lord Greenwood indicates, the full burden of EPT, undiminished by previous deficiencies carried forward, will have to be sustained in the current period. The £1 ordinary shares, at 19s. 3d. ex dividend, yield £5 3s. 11d. per cent.

First Kaffir Dividends

December dividends announced by the first three groups to issue statements—*Central Mining—Rand Mines*, *Union Corporation* and "*Johnnies*"—show that the process of adjustment to the last increase in Union taxation of profits is working itself out. In the "*Johnnies*" group, where cuts were made in every case last June, there is only one further reduction, that of Langlaagte from 4½d. to 3d., although it may be assumed that Van Ryn Deep will receive nothing against 6d. The *Union Corporation* group is fortunate in the possession of a number of mines not yet fully developed, so that in two cases, Grootvlei and Van Dyk, it has been possible to raise payments, and there is only one fresh reduction from 6s. 3d. to 6s. for Geduld. The

DIVIDENDS PER SHARE				
Years ending December 31	June, 1941	December, 1941	June, 1942	December, 1942
<i>Central Mining—Rand Mines</i> :				
Rand Mines (5/-)	4/-	4/-	4/-	4/-
City Deep (£1)	2/6	2/6	2/6	2/6
Consolidated Main Reef (£1)*	2/6	2/6	2/6	2/6
Crown Mines (10/-)	8/-	7/6	7/-	6/-
Durban Deep (10/-)	1/9	1/9	1/9	2/3
E. Rand Prop. (10/-)	1/9	1/9	1/9	1/9
Geldenhuis Deep (17/6)	2/-	2/-	1/6	-9
Modder B. Gold (5/-)	1/3	1/3	1/-	1/-
Modder East (£1)*	3/6	3/6	3/6	3/6
New Modder Gold (10/-)*	1/6	1/3	1/3	1/-
Nourse (£1)*	2/3	2/3	2/3	2/-
Rose Deep (£1)	2/-	2/-	2/-	2/-
<i>Union Corporation</i> :				
East Geduld (£1)	6/3	6/3	5/6	5/6
Geduld Prop. Mines (£1)	6/9	6/9	6/3	5/6
Grootvlei Prop. Mines (£1)	2/-	2/-	2/3	2/6
Marievale (10/-)	-6	-6	-6	-6
Van Dyk Consolidated (10/-)	-10½	-10½	-7½	-9
<i>"Johnnies"</i> :				
East Champ (2/6)	-10½	-10½	-9½	-9½
Govt. G.M. Areas (5/-)	1/9	1/9	1/7½	1/7½
Langlaagte Estates (£1)	-6	-6	-4½	-3
New State Areas (£1)	2/4½	2/4½	2/-	2/-
Randfontein East G.M. (£1)	2/3	2/3	1/10½	1/10½
Van Ryn Deep (£1)	1/4½	1/-	-6	N.D.
Witwatersrand G.M. (£1)	2/4½	2/4½	1/9	1/9

* Financial year ends June 30. N.D.—No declaration.

Central Mining—Rand Mines group, having made only three in June, has been forced to make a number now. Consolidated Main Reef, New Modder and Nourse suffer their first cut this year, while fresh reductions occur in two other cases. Thus, the dividend of Crown Mines, which was cut from 7s. 6d. to 7s. last June, is now reduced to 6s. and that of Geldenhuis Deep, which was cut by 6d. to 1s. 6d. last June, is now halved at 9d. Durban Deep alone shows a rise. As compared with twelve months before, of the 24 results two-thirds are down, while there are two increases and six unchanged. All mines of the "*Johnnies*" group show falls, while *Union Corporation* and *Central Mining* each show a rise, and the latter has maintained payments in five cases.

Industry and Trade

Small Retailers' Supply Scheme

The details of the scheme to distribute supplies to small retailers, which was outlined by the President of the Board of Trade on October 13th, were announced by him last Tuesday. The salient details are summarised, for each of the three trades concerned, in the accompanying table. Small traders have been defined for the three classes of goods covered; standard periods in which supplies are to be allocated and the percentage to be allocated are laid down. Turnover is the total turnover in all classes of goods in which a retailer deals, in as many branches as he may have. The varying percentages are governed by the standard periods chosen and by the changes in population in the different areas since the standard period. The small shop-

	Clothing	Pottery	Hollow-ware
Definition of small retailer: maximum turnover in standard period:	£5,000.	£3,000.	£2,500.
Standard period:	Jan.-Dec., 1939.	Dec., 1940, to Nov., 1941.	June, 1939, to May, 1940.
Operating period:	Quarterly.	Quarterly.	Four-monthly.
Types of goods covered:	Clothing (excluding footwear and millinery), household drapery, piece-goods and haberdashery.	Utility domestic pottery made of earthenware, china, jet and rockingham, and stoneware.	Domestic cooking utensils (included in British Standard Schedules BS/BOT 11-15), buckets and dustbins. Not hardware.
Percentage supplies, according to area:	50-100%.	80-120%.	40-60%.

keeper will be entitled to receive, as a minimum, the relevant percentage of his purchases from those wholesalers from whom he obtained his supplies in the standard period. Where rationed goods are concerned—in the case of clothing—supplies are dependent on the requisite number of coupons being supplied, but no guarantee is given that a greater number of coupons would be honoured. No compulsion is put on the individual retailer to participate; if he wishes to do so he must inform his supplier by January 31st next. Pressure will be brought to bear on wholesalers who do not fulfil their obligations. A trader may transfer his quota to another trader, provided their combined turnover in the standard year does not exceed the maximum. The scheme is to operate from January 1, 1943, and the three committees which produced the reports remain in being to administer the schemes. A criticism of the scheme in relation to retail trade as a whole appears on page 759.

* * *

Coal Output

The output of coal was imperceptibly larger in the fifth of the four-weekly periods for which figures have been published. During the bonus period ended November 28th, the output of saleable coal averaged 4,126,500 tons a week, only 2,000 tons a week more than the previous month, and 70,000 tons less than the corresponding period of 1941. Standard tonnages were exceeded by eight districts, which qualified for bonuses ranging from 3d. to 1s. 9d. per shift. In the first bonus period eight districts qualified, and in the second, twelve. The number of miners to receive the bonus was 230,500 in November, compared with 190,000 in the

PERCENTAGES OF DISTRICT TARGETS REACHED*			
During Four Weeks Ended		During Four Weeks Ended	
Oct. 31st	Nov. 28th	Oct. 31st	Nov. 28th
%	%	%	%
Northumberland	102.8	102.0	
Cumberland	91.0	91.3	
Durham	101.1	101.1	
South Yorkshire	98.3	98.5	
West Yorkshire	97.3	96.9	
North Derbyshire	101.3	100.8	
Nottinghamshire	99.8	100.6	
South Derbyshire	104.0	104.2	
Leicestershire	102.8	104.5	
Lancashire & Cheshire	101.6	101.1	
North Wales	97.6	†	
North Staffordshire	98.5	101.3	
Cannock Chase	97.9	97.2	
Shropshire	105.1	102.2	

* Percentages based on output, adjusted for tonnage lost through holidays and circumstances beyond the industry's control. † Still under review.

previous period. The Minister of Fuel and Power admitted that output could be higher than it is. Standard tonnages, by definition, should be well within the reach of the miners. The Regional Controller for Fuel and Power in Scotland has reviewed the coal position in his region, and has reached the conclusion that output could be 52,500 tons greater than it is. In fact, the only district in Scotland which has exceeded its target is Fife and Clackmannan. Lanarkshire's output was as much as 5.1 per cent below its target in November. The Government's coal policy is discussed on page 759.

* * *

Spreading Building Contracts

According to a Press notice issued by the Ministry of Works and Planning last month, "the policy of the Government to spread the available work in the building programme among as many suitable firms as possible, has been extended in recent months." The measures adopted to this end include restrictions on the total load which individual contractors may carry, provision for compulsory subcontracting, the grouping of firms to enable the smaller concerns to undertake Government contracts, and consultation in the preparation of tender lists. In so far as these arrangements avoid hold-ups in production by a more even distribution of work, they may be of advantage. But if they are mainly designed to maintain in business some of the smaller concerns whose productivity is lower than that of the larger ones, they are most unfortunate. The building and of Britain's able-bodied male labour; in July last year the total number of operatives employed still exceeded 1,000,000. It would be regrettable, indeed, if, at this stage in the war, measures were taken which kept the labour force in building above the minimum number.

Accident Prevention

In the article on fire prevention which appeared in *The Economist* of October 31st, reference was made to the decision of the Fire Offices' Committee—the association of companies transacting fire insurance on tariff lines—to launch a nation-wide publicity campaign to reduce the heavy burden of waste by ordinary fires, in large degree the result of plain human carelessness. Mr Hinshelwood, the chairman of the committee, has described this feature of wartime economy as "a national reproach." No less a reproach is the serious wastage of man—and woman—power occasioned by accidents of all kinds: not only accidents at work, but arising also on the roads and—very important but often overlooked—in the home. In the prevention of accidents the human factor is perhaps even more vital than it is in the case of fires, and immense benefit can result from sound educational work. In the sphere of black-out accidents an excellent series of advertisements has, indeed, been appearing for some time past, and cannot have failed to help in keeping these particular accidents within bounds. But the accident departments of insurance offices must possess in their dossiers a vast quantity of valuable information concerning the causes of accidents of all kinds, and would be able by well-judged publicity to inculcate safety habits in countless different ways.

* * *

Unemployment in November

For the first time since the regular publication of the Ministry of Labour's unemployment statistics began in 1921, the total numbers registered at employment exchanges was below 100,000. The actual number was 95,442 on November 16th. In October the total was 101,080. The drop of 5,538 was almost entirely due to a fall in the numbers of boys, women and girls wholly unemployed.

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN			
	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment
Oct. 12, 1942			
Men	50,661		
Boys	10,108	1,355	2,742
Women	25,273	2	4
Girls	9,975	806	120
		33	1
Total	96,017		
Nov. 16, 1942			
Men	50,803	2,196	2,867
Boys	8,348	1,347	2,588
Women	23,488	12	4
Girls	8,023	652	147
		29	1
Total	90,662		
		2,040	2,740

Changes in other categories were negligible, as can be seen from the accompanying table. The number of women now serving in the Forces and employed in full-time work is reliably estimated to be approaching seven millions. The extent of the Ministry of Labour's success in mobilising women may be gauged by the fact that the number of women aged 14 to 64 who were insured against unemployment in mid-1939 was about four and a quarter million.

* * *

Railway Workers Wages Increase

The Railway Staff National Tribunal announced its decision to raise wages on December 11th, to take effect retrospectively from June 24th. Adult male members of the railways' staff will benefit by 5s. a week; adult female staff by 3s. 9d.; junior male staff by 2s. 6d.; and junior female staff by 1s. 9d. Claims for an increase of 10s. a week, or £26 a year, were originally made jointly by the National Union of Railwaymen and the Railway Clerks' Association. When the Railway Executive Committee made its counter offer of 4s. a week for men and 3s. for women to the NUR, the claim was pressed to arbitration. The RCA accepted the companies' offer of £10 a year for men, £5 a year for juniors, 3s. a week to women, and 1s. 6d. to young women. Nevertheless, under the Tribunal's award, the RCA is to have its increases raised to the level of the NUR award.

COMPANY MEETINGS

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

COLONIES' GREAT EFFORT

SIR JOHN CAULCUTT'S STATEMENT

The annual general meeting of Barclays Bank (Dominion, Colonial and Overseas) will be held in London on the 21st instant. The following is the statement by the chairman (Sir John Caulcutt, K.C.M.G.) on the report and accounts for the year ended September 30, 1942:—

Turning first of all to the balance-sheet, a record figure is again shown for current and deposit accounts at approximately £191,000,000.

Acceptances and other liabilities on account of customers, at £13,000,000, show a further considerable expansion.

On the assets side, the balance-sheet again shows a strong liquid position, and the cash in hand and at bankers and gold bullion is again in excess of 30 per cent. of the liabilities.

The demand for advances has been on a decreasing scale, and the bank's holdings of investments have been substantially increased. The market value of the investments is in excess of the figure shown in the balance-sheet.

PROFIT AND LOSS ACCOUNT

Turning now to the profit and loss account, the net profit for the year, after making the usual provisions for taxation and for bad and doubtful debts and contingencies, amounted to £419,611, to which must be added £196,470 brought forward from 1941, bringing the amount for appropriation up to £616,081. Of this amount £200,000 has been transferred to the reserve fund, and it is proposed to pay a final dividend of 4 per cent. (actual) on the cumulative preference stock and of 3½ per cent. (actual) on the "A" stock and on the "B" shares, subject to the deduction in all cases of income-tax at 8s. 3d. in the £ after allowing for relief in respect of Dominion income-tax.

We have also made a special allocation of £50,000 for deferred repairs to premises, leaving to be carried forward £190,930.

The reserve fund has been further increased to a total of £3,100,000 by the transfer of £300,000 from our contingency account. These transfers to the published reserve are identical in amount with the transfers made last year.

OVERSEAS SERVICES MAINTAINED

I am glad to say that notwithstanding the existing difficulties of communication, the efficiency of the control and co-ordination of our widespread services overseas has been maintained. Some evidence of this is, I think, afforded by the fact that we are able to present our audited balance-sheet within less than three months of the close of our financial year. Our staff have surmounted difficulties and solved many problems—some of them of an unprecedented nature. As an example I would mention that last summer when the position in Egypt was critical, an immense burden was thrown on the staffs of our branches there. Their loyalty and efficiency were of exceptional importance at that time, and the heavier the strain became the greater response it evoked from them. The highest credit is due to them for the way in which they carried on in that critical hour.

I think we are entitled to feel that this bank throughout the year has become increasingly useful to the common cause, largely due to the fact that many of our branches happen to be so placed as to render them of particular value to the different Governments concerned.

They have also been well placed to serve the requirements of our Naval, Military

and Royal Air Force authorities and personnel, as well as of important contingents of the armed forces of the United Nations. I have every reason to believe that the services we have been able to render are widely appreciated.

POSITION IN THE COLONIES

It is interesting to turn for a moment to the general Colonial picture.

The inter-war period had seen a steady increase in the volume of Colonial products, although the prices of some of them had been subjected to violent fluctuations. In regard to those particular commodities, such as rubber, tin, sugar and tea, which were controlled by regulation schemes, the producers had a more fortunate experience. The underlying reasons for the steady increase in the volume of production can, I think, be looked for in the general political and economic system, which gave wide scope to enterprise, British and non-British alike. We should do well also to remember the scientific advisers, many of whom have been provided by Government agencies, and who have improved planting material, advised on planting methods, and assisted in orderly marketing of products. There was also much indirect improvement through the suppression of disease and a general betterment in the conditions affecting health.

DISLOCATION OF MARKETS

The general dislocation and loss of markets which occurred through the first period of this war were met by schemes for bulk purchases of staple crops, such as cocoa, sugar and tea, these arrangements being somewhat akin to the vast bulk purchasing arrangements entered into by the British and Dominion Governments, covering the entire crops of such articles as wheat, wool and other vital necessities. All Colonial Governments were urged to stimulate the production of food, largely in order to save shipping, with the result that production rapidly increased. After the fall of France, a greatly increased demand arose for certain Colonial products, synchronising with increased difficulties for producers of other commodities, to meet which, schemes were devised to help the growers of such crops as citrus fruits and bananas. All these changes have naturally had their reactions on the business of the bank. In normal times the finance of the movement and shipment of crops and the handling of the exchange operations arising therefrom are important features of its activities. In regard to many Colonial products the course of business has been altered, but the use of banking machinery is still required, and here again the bank has been able to be of service. It has also played a full part in the schemes to assist growers of crops who have been faced with special difficulties arising from war conditions.

As a consequence of the entry of Japan into the war and the subsequent loss of some of the areas producing materials of vital importance for war purposes, great efforts have been made to develop alternative sources of supply in other parts of the Colonial Empire.

The revenues of the Colonies which we serve have been buoyant during the war period. Large official contributions have been made to the Government here for war expenditure, but in the summer of 1940, at the request of His Majesty's Government, this policy was altered and contributions gave place to loans without interest, in order that the money might be available when required in the various Colonies themselves for reconstruction work.

THE NATIONAL BANK OF SCOTLAND, LIMITED

RECORD ASSETS FIGURE

DEPUTY GOVERNOR'S ADDRESS

The one hundred and seventeenth annual general meeting of the proprietors of the National Bank of Scotland, Limited, was held, on the 17th instant, in the bank's head office, Colonel Sir Donald W. Cameron of Lochiel, K.T., C.M.G., the deputy governor of the bank, presiding.

The deputy governor, in the course of his speech, said: It will be observed that the profits at £257,000 with the balance of £92,000 brought forward, together £349,000, provide ample funds for the dividends, which absorb £98,000 net, while allocations amounting to no less than £160,000 have been made as detailed in the report—including £85,000 credited to contingent fund and £50,000 to the staff pension fund—a balance of £91,000 being carried forward to the current year. All bad and doubtful debts have been fully provided for, as well as taxation, rebate and interest.

LARGE INCREASE IN TOTAL ASSETS

The total assets of the bank have reached a fresh high level at £68,676,000, an increase of practically £6,000,000 since the date of the last annual balance-sheet, which itself showed an increase of £10,000,000 over the preceding year. These figures, while of course materially affected by the largely increased circulation of money owing to war expenditure, afford also striking evidence of the growth and extension of the bank's connections. The increased resources at the disposal of the bank have largely been utilised in financing the country's war effort in direct lending to the Government through the various War Bond issues, and Treasury deposit receipts and bills.

TRADE AND INDUSTRY

The industrial organisation and the productive power of the country being harnessed to the supreme task of furnishing the munitions of war, there is neither occasion nor need for the customary review of commercial and trading conditions. It is none the less desirable, however, to give consideration to possible post-war problems with which the country may be faced. In Scotland in past decades we have been largely dependent upon certain very important industries, coal, iron and steel, and shipbuilding, and while it is essential to the welfare of the country that these be maintained in the highest efficiency and with the maximum of production we would do well to review carefully the possibilities of subsidiary or smaller industries so that employment might be rather better spread than hitherto and some measure of insurance against major depressions achieved by a greater variety of production. That this feeling is being more and more widely entertained is shown by the formation of the Council on Industry and by the consideration being wisely given by the present Secretary of State for Scotland, and former holders of that office, as to the means by which in the post-war period new industries might be encouraged in or attracted to Scotland. The directors of this bank are in wholehearted sympathy with any well-conceived measures towards achieving this desirable aim and will be found willing to give all the support possible.

AGRICULTURAL AND FISHING

The farming community in Scotland has responded nobly to the call for greater production, and despite the difficulties caused by shortage of experienced and skilled labour the farmers have "delivered the goods" and thereby contributed very materially to the furtherance of our cause. The experience of a second world war demonstrating again the absolutely vital factor of our home production of foodstuffs

must surely have convinced the most indifferent of the folly of ever again allowing agriculture to suffer from unfair treatment and neglect. Even now one class, the hill sheep farmer, is still battling with adverse conditions, which tend to become worse rather than better, and it is much to be desired that the Commission, at present deliberating on this problem will be able to suggest measures for putting this important branch of the industry at long last on a proper footing.

I make no apology for again referring to the fishing industry. Results as disastrous as those falling upon the hill sheep farmer were the lot of Scottish fishermen in the years before the war, and whatever may be post-war conditions, they have an unassailable claim to a square deal from the country when peace returns. The invaluable services rendered to the nation in war and the most perilous hazards unflinchingly faced entitle them to the utmost consideration, while the welfare of the country as a whole in normal times and its safety in time of war depend largely on the preservation of their calling of those hardy sons of our shores. Plans should be made now to meet the post-war needs of the Scottish fishing industry for new vessels, gear, etc., and for securing by means of assured markets and equitable freight rates the prosperity of the men and women of an industry to which the nation owes so much.

NEW HEAD OFFICE

In conclusion I would refer to an important milestone in the bank's long history, namely, the opening on June 22nd last of this handsome and commodious though not wholly completed new head office erected on the old site in St. Andrew Square. I need scarcely emphasise the benefits to the head office staff provided by a building so spacious, well-lighted and air-conditioned, and at the same time so well designed to meet the needs of the bank's customers and provide for future developments.

THE RESOLUTION

The deputy governor concluded by moving the adoption of the report and the payment of dividends at the rate of 16 per cent. per annum, less tax, on the consolidated capital stock and of 5 per cent. per annum, less tax, on the "A" stock.

The resolution was carried.

The governor, deputy governor, extraordinary and retiring ordinary directors were re-elected and the auditors reappointed for the ensuing year.

IMPERIAL SMELTING CORPORATION, LIMITED

DIVIDEND OF 4 PER CENT. MAINTAINED

The thirteenth annual general meeting of Imperial Smelting Corporation, Limited, was held, on the 17th instant, in London.

The following are extracts from the statement by the chairman (Mr. J. R. Govett) circulated with the report and accounts:—After providing for taxation, the profit for the year amounted to £235,895. The preference dividend for the year absorbed £134,538, leaving £101,357, to which must be added the amount brought forward, namely, £53,871, giving a balance available for distribution of £155,228. Your directors again recommend a dividend of 4 per cent. on the ordinary shares and, after payment of this amount, there will be a balance of £53,730 to be carried forward.

INFLUENCE OF E.P.T.

In dealing the profits of the year, it will be unnecessary for me to remind shareholders of the levelling influence of the excess profits tax. However, I must again draw attention to the annual provisions which are inadmissible in computing the group's liability to excess profits tax and income tax and accordingly reduce the profits available for distribution. The provisions to which I refer are War

Damage Contributions and premiums, reserves for debenture redemption of subsidiaries, welfare reserves, etc.

The provisions we have made in this year's accounts, together with the balance of tax reserves, are more than sufficient to meet the taxation liabilities on all profits up to and including those to June 30, 1942, although income tax on these does not become payable until January, 1944.

The Corporation and its subsidiary companies have again been most fully employed throughout the year, and our thanks are due to all those in our organisation, both staff and employees, who have contributed so loyally and willingly to the success of our operations.

INTEREST IN FERTILIZER TRADE

I must refer to the change that has taken place in regard to this company's interests in the fertilizer industry, particulars of which were published in the Press on November 4th. It will be remembered that in 1934 in co-operation with Fisons, Limited, we formed National Fertilisers, Limited, for the purpose of manufacturing and selling fertilisers in the West of England. Preference shares to the amount of £500,000 were sold to the public, and the ordinary share capital was subscribed jointly by Fisons, Limited, and ourselves. The preference shares were guaranteed as to capital and dividend jointly and severally by Fisons, Limited, and the Imperial Smelting Corporation.

Since 1934 the business of National Fertilisers has very largely increased, and in order to obtain the full benefit of the association with Fisons, Limited, an agreement has been made whereby we have exchanged our holding of National Fertilisers ordinary shares for 160,000 ordinary shares in Fisons, Limited. These shares will carry certain dividend restrictions for a period of four years, but, thereafter, will become and rank *pari passu* with the existing ordinary stock of Fisons, Limited. The report was unanimously adopted.

ELECTRIC & MUSICAL INDUSTRIES LIMITED

ANNUAL GENERAL MEETING

17th December, 1942

Accounts for year ended 30th September, 1942.

Profit for the financial year ended 30th September, 1942, after providing for Taxation and other contingencies arising from War conditions is	£ 153,560
Brought forward from last year	194,830
	348,390
Out of which has to be provided net Preference Dividend paid and accrued to 30th September, 1942, and a dividend of 6 per cent. less tax on the Ordinary Stock authorised at the annual general meeting	100,886
Leaving to be carried forward	£247,504

Mr. Alfred Clark (Chairman) presiding, stated that the omission of the usual speech was due solely to war-time conditions. The proceedings were purely formal and the recommendations of the Directors were unanimously adopted including provision for the payment of a dividend of 6 per cent. less tax on the Ordinary Stock.

The output of the factories continued at a satisfactory level.

The Company has made reserves to meet any losses so far incurred

in its foreign investments and while inventories have been conservatively valued, depreciation of the plant has been fully provided.

The fact that creditors have increased to a much smaller extent than stocks on hand, is evidence of the sound financial position of the Company.

The Chairman informed stockholders that they have good reason to be satisfied with the spirit and devotion to duty of employees of all grades.



THE GRAMOPHONE COMPANY LIMITED.

COLUMBIA GRAPHOPHONE COMPANY LIMITED.

THE MARCONIPHONE COMPANY LIMITED.

RUDGE, WHITWORTH LIMITED.



THE COMMERCIAL BANK OF SCOTLAND, LIMITED

SATISFACTORY RESULTS

THE EARL OF MAR AND KELLIE'S SPEECH

The annual meeting of the shareholders of the Commercial Bank of Scotland, Limited, was held at Edinburgh on the 17th instant. The Earl of Mar and Kellie (governor of the bank) presided.

Before commencing the business of the meeting the governor made suitable reference to the loss which the bank had sustained during the year by the deaths of Mr. H. Wilfred Mackenzie, one of the extraordinary directors, and Mr. Theodore E. Salvesen, a member of the board of ordinary directors.

RECORD OF BANK'S PROGRESS

In submitting the report, the governor said:

If I may be excused commencing on a personal note, I think you will understand my feeling of satisfaction in presiding at this annual general meeting when I tell you that it is exactly twenty-one years to a day since the shareholders did me the honour of electing me governor of the bank after I had occupied the office of deputy-governor for a period of ten years. My connection with the bank, however, is of much earlier date, as the shareholders specially honoured me, after the death of my father, who was deputy-governor, by electing me an extraordinary director. That was in 1889, so that for the long period of fifty-three years I have been closely associated with this great institution. When I became an extraordinary director, the balance sheet figures aggregated £13,000,000; by 1911, when I became deputy-governor, the figure had increased to £18,000,000; on my election to the governorship in 1921 the figure was £52,000,000, and to-day I have the satisfaction of submitting for your consideration a balance sheet exhibiting a total of no less than £83,000,000. These figures speak for themselves and indicate a measure of progress in which I think we may justly take satisfaction.

PROFIT AND ALLOCATIONS

As to this year's results, high taxation and new and increased costs of operation have left their mark upon the profit and loss account. The allowances granted to members of the staff on service now aggregate a very substantial sum, and the special wartime allowances in augmentation of salary granted to the staff still with us is a further addition to our costs. In all the circumstances, therefore, the profit of £286,275 for the year, or approximately £12,000 less than the previous year, may, I think, be regarded as satisfactory.

Out of the profit the directors have allocated £50,000 to contingency account, £20,000 to heritable property accounts, £40,000 as an addition to the funds of the pension trust, and £10,000 to increase the widows' and orphans' fund.

Interim dividends on the "A" shares at the rate of 7½ per cent. and on the "B" shares of 5 per cent., less income tax, were paid in July last, and it is now proposed that a further distribution of 7½ per cent. on the "A" shares (making 15 per cent. for the year) and 5 per cent. on the "B" shares (making 10 per cent. for the year), both subject to income tax, be approved. After payment of these dividends and allocations the carry forward to next year's account amounts to £75,113, or approximately £10,000 more than the amount brought forward from the previous year.

BALANCE SHEET ITEMS—LIABILITIES

Turning to the balance sheet, our notes in circulation have increased in the year

by rather over £1,700,000 to the figure of £7,764,000, the largest figure ever recorded by a Scottish bank. While on the subject of note circulation it may not be inappropriate once more to point out the desirability of economy in the use of currency, particularly in times such as the present, when increased employment necessitates a larger circulation. No advantage is gained by the hoarding of notes which might be used for the making of a bank deposit or the taking up of a Government security, and a definite risk is taken through possible loss or destruction of the notes.

Our deposits have increased by rather over £4,000,000, and stand at the record figure of £68,114,000.

Acceptances and other engagements on account of customers at £1,688,000, are rather less than the previous year and under war conditions it is unlikely that this figure will be materially exceeded.

ASSETS

Turning to the assets side, you will observe that the first four items consisting of cash and monies readily available, including £10,000,000 in the form of British Government Treasury Deposit Receipts, together amount to the sum of £27,504,000. Our investments, which have increased by approximately £5,000,000 to £43,000,000, are almost entirely in the form of British Government securities. These are carefully selected as to dates of maturity, and as stated in the report, the market value at the date of the balance was greater than the amounts appearing in the balance-sheet.

Bill discounted and loans and advances together amount to £9,627,000, or close upon half a million pounds less than the previous year. Our experience of a reduced loan and advance item during the war period, which has been common to most banks, is incidental to the circumstances of war-time finance. The liquidity of our position is demonstrated by this spontaneous reduction, which, however, obviously has an adverse effect upon our profit and loss account. The reduction in our advances has taken place notwithstanding a liberal attitude towards facilities required by customers in connection with contracts for Government Departments. It can be seen that we are in a very favourable position to meet the demands of our trading customers when, as we hope may be the case at no distant date, they can again profitably utilise advance facilities.

Our property accounts show only minor changes in the year.

BANK'S LARGE CONTRIBUTIONS TO GOVERNMENT LOANS

In every way we have endeavoured to play our part in the war effort, and you may be interested to know that our direct contributions in new money to the Government by way of loan in one form or another now amount to almost £29,000,000, and on behalf of customers, loan applications have passed through our hands aggregating £25,000,000, of which almost £11,000,000 represents small savings invested in National Savings Certificates or Bonds of small denomination, giving a grand total of approximately £54,000,000.

STAFF AND THE WAR

Out of a total full-time pre-war staff of approximately 1,400, 760 have gone on active service, and we are endeavouring so to order our affairs that further releases of

staff may be made possible. Of the men on Service, 21 have lost their lives, three are missing, and 15 are prisoners of war, and I feel sure you will desire me to express sincere sympathy to all relatives suffering loss or anxiety.

Up to the present it has been found necessary to close for the time being 40 full-time branches and 43 part-time branches, and the management have been faced with many difficulties of organisation to provide for the carrying on of the business with a minimum of disturbance to our customers.

It is proposed that I be re-elected governor of the bank, that Lord Milne be re-elected deputy governor, and that the extraordinary directors whose names appear on the list be re-elected. During the year the directors nominated Mr. Robert Y. Weir and Mr. Noel G. Salvesen to fill the vacancies on the board, and their appointment falls to be confirmed by the shareholders. It is also proposed that Sir Gilbert Archer, who, as senior director, retires at this time, be re-elected. Mr. Macfarlan and Mr. Annan, the auditors, being eligible, offer themselves for reappointment.

The Governor then moved the adoption of the report, and the motion having been seconded by Mr. Wood, was put to the meeting and carried.

VOTE OF THANKS TO DIRECTORS AND STAFF

At the close of the meeting on the motion of Sir George Morton, K.C., a vote of thanks was accorded to the directors and the staff for their services during the year and acknowledgment was made by Mr. Inglis on behalf of the directors and by Mr. Erskine, the general manager, on behalf of the staff.

RHOKANA CORPORATION, LIMITED

DIVIDEND OF 15 PER CENT.

The twentieth annual ordinary general meeting of Rhokana Corporation, Limited, was held, on the 16th instant, in London, the Rt. Hon. The Lord Geddes, G.C.M.G., K.C.B. (the chairman), presiding.

The following is an extract from the chairman's statement circulated with the report and accounts: Large capital expenditure has been incurred during the year to provide increased capacity for output to meet war demands. The expenditure has been met entirely from the Corporation's cash resources without assistance from the Government and without borrowing. The increasing output has of necessity compelled a further absorption of cash into working capital, represented by larger stocks of copper and cobalt as well as by general stocks and stores. The increases in unit cost due to war conditions have also necessarily increased the amount of working capital required. Only the actual amount received from the Ministry of Supply in respect of increased cost claims for the year ended June 30, 1942, has been included in the trading profit of £1,791,125. There is a comparatively small amount outstanding in respect of increased cost claims for that year which are under discussion with the Ministry.

Last year no dividend was declared by Mufukira Copper Mines, Limited, but this year a dividend of 2s. 3d. per share, which is the same amount as was paid for the year ended June 30, 1940, has been declared, and the amount received by this Corporation, namely £177,668, has been placed to profit and loss account. The directors recommend a dividend of 15 per cent. in respect of the year ended June 30, 1942, which compares with a rate of 30 per cent. for the previous year.

Throughout the year the largest possible amount of copper and cobalt has been produced and is still being produced, in spite of the many difficulties which have to be overcome.

The report was adopted.

GENERAL THEATRE CORPORATION. LIMITED

SUBSTANTIAL IMPROVEMENT

MR J. ARTHUR RANK'S VIEWS

The annual general meeting of the General Theatre Corporation, Limited, was held on the 15th instant, in London, Mr J. Arthur Rank, J.P. (the chairman), presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:—

IMPROVED RESULTS

I am pleased to confirm the substantial improvement in our trading position fore-shadowed by your chairman at the last meeting. It will no doubt be remembered that the profits of the corporation fell to an extremely low level in the year ended March 31, 1941, and that this unfortunate experience was brought about by loss of earnings of the London Palladium, closed down in September, 1940, and by the Holborn Empire being put out of business about the same time. The latter theatre has since remained closed, and it is not likely to reopen before the end of the war.

In regard to the Palladium, it is gratifying to know that this theatre has regained the pre-eminent position it held for so many years in the class of entertainment in which it specialises. On the whole our music halls have done very well, and the earnings of cinemas have increased substantially.

THE DIVIDEND

I am pleased to say that the increased profits of the year covered by our accounts, and the satisfactory trend of subsequent business are such as to justify your directors in recommending the payment of a final dividend of 5 per cent., which, together with the interim payment of 4 per cent., will bring the dividend for the year on participating preferred ordinary shares up to 9 per cent.

On the other side of the balance-sheet, book values of our freehold and leasehold properties, including their contents, are stated separately, the figures being practically the same as last year. It will, therefore, be clear that no additional theatres have been acquired during the period and that increased earnings are not due to the provision of additional seating capacity. On the contrary, available seating capacity of the circuit throughout the year suffered somewhat by the loss for trading purposes of the Holborn Empire.

With a view towards the recovery of this deficiency in our West End situation, the corporation acquired a lease of the Prince of Wales Theatre. The effect of this acquisition upon the results of the year is unimportant since the theatre opened on our account with the radio success "Happidrome" in the last month of the financial year. War damage sustained during the year by the theatres of the corporation and its subsidiary companies is relatively small. In all cases of damage of this nature our position is protected by the lodging of claims under the Government scheme of insurance. We are unable to obtain information concerning a theatre property in Paris owned by a subsidiary company.

The restricted supply of labour and materials for such purposes has prevented the Corporation from carrying out its pre-war policy of theatre repairs and maintenance. It is, therefore, considered advisable to set aside out of profits the estimated cost of work of this nature which would have been carried out under normal conditions, but which must of necessity be postponed. Reserves for depreciation and amortisation of properties, including the special depreciation reserve created in 1939, have increased by the amount of £15,000 appropriated for the purpose.

The Corporation's interest in its sub-

siary companies, comprising shares, debentures, current and loan accounts, is grouped under its appropriate heading in the balance-sheet and is represented by a sum of £526,563. The reduction in book value of this asset is due largely to provision made in respect of a loss incurred by one of the subsidiary undertakings. In this connection it should be noted that profits of the year in excess of £7,000 attributable to the Corporation are retained in the books of our subsidiary undertakings.

In regard to the remaining assets, shares in associated company £15,000, cash in hands of trustees for debenture stockholders £27,490, stocks and stores £16,942, sundry debtors and payments in advance £30,521, and cash £46,179, there are, in most cases, fluctuations of a normal character brought about in the ordinary course of business.

GROWTH OF EARNINGS

The profit and loss account shows the earnings of the Corporation and its subsidiary companies as a whole at £409,399, after deducting losses, but before providing for management expenses and remuneration payable to the managers, depreciation, deferred repairs, interest on first and second mortgage debenture stocks of the Corporation, and taxation. At this level there is an increase over the previous year of £209,464. Charges made against profits of subsidiary undertakings are as follows: Depreciation of properties, plant and fixtures £17,826, against £7,137. Provision for deferred repairs—a new reserve—£4,350, and for taxation £28,107, against £8,772. War damage contributions have required £4,257 against £12,912. After deducting the total of these charges, £54,540, the group earnings are reduced to £354,859. Profits of subsidiary companies attributable to the Corporation's interest therein, retained in the accounts of the companies concerned, amount to £7,325, and the net proportion of losses applicable to outside shareholders is £104. This amount of £7,325, less £104, falls to be deducted before arriving at the net proportion of the earnings of the group, £347,638 thus made available to the Corporation, at which level there is an increase of £145,249, the corresponding figure for the previous year being £202,389.

CHARGES AGAINST PROFIT

Charges made against this sum of £347,638, which represents the profit of the Corporation, are as follows: Reimbursement to the managers of management expenses and remuneration at the fixed annual sum of £35,000. Interest on first and second mortgage debenture stocks for the full year £125,008, against £127,215. Depreciation of properties, plant and fixtures—including the special depreciation reserve of £20,000—£42,024, against £46,132. Provision for deferred repairs, a new reserve, £18,000. Provision for income-tax 1942/43 and national defence contribution, £104,009.

These charges and appropriations have reduced the available profit to £23,597. £4,726 brought forward from last year of adding the net amount of £4,470 credited to profit and loss account as a result of the transfer from general reserve, there is left a sum of £23,341 to meet the dividend of 9 per cent. on the participating preferred ordinary shares and to carry forward a balance of £4,591, against the debit balance of £4,726 brought in.

In regard to prospects for the year now current, estimated trading profits for the first six months show an increase which, after deduction of income-tax, amounts to approximately £15,000.

The report was adopted.

ANSELLS BREWERY, LIMITED

RECORD OUTPUT AGAIN

The 42nd ordinary general meeting of Ansell's Brewery, Limited, was held, in Birmingham, on Tuesday, December 15, 1942, Lieut-Colonel J. A. Fairhurst, T.D., D.L., J.P. (the chairman) presiding.

Profits (net) £547,818
Brought forward 252,543

Dividends on preference and ordinary stock (paid and to be paid) £367,500
To properties reserve 100,000
To general reserve 75,000
542,500
To be carried forward £257,861

POINTS FROM CHAIRMAN'S SPEECH

The period covered by the accounts is the third year of war, and our two breweries have worked throughout the year at full capacity turning out more beer than ever before.

This is due to the fact that the Government still recognises the advisability of maintaining the supply of beer with certain limitations. The value of this policy is apparent to those who are aware of the high pressure conditions under which the large majority of workers have to endure, and the part the National Beverage has played in providing a safety valve in relieving the tension which otherwise would have proved unbearable to many who, in spite of the high prices, persist in their demands.

I should, however, like to mention for your information that the sum collected and to be paid over by our group of companies in respect of the year to September 30, 1942, by way of Beer Duty and other forms of direct taxation exceeds £6,000,000. The quadrupling of the duty obviously is an important contributing factor in exciting the demand for higher wages by those who find themselves precluded, by reason of the price, from the enjoyment of their accustomed glass of beer.

Up to the present, although the Government have dictated the terms, brewers have been allowed to carry on their business in the best way they could; in this we have been fortunate and, I venture to say, the Government has been wise.

The problems connected with post-war planning and reconstruction are of serious moment to us. Two Government Committees known as the Scott and the Uthwatt Committees have dealt with certain aspects which concern our business, and a Home Office Committee is also sitting to consider particularly reconstruction relating to licensed premises.

I trust that their recommendations will not fetter brewers in their endeavour to provide the public with their legitimate desire to have attractive and well-conducted licensed houses, where convenient to the users.

INCREASED PROFIT

Last year it was predicted that the high cost of barley might, if other factors remained as they were, have resulted in a reduced gross profit.

Fortunately, however, by dint of strenuous application the Brewing Department has managed to squeeze out of our plant, already overworked, an increased output of beer, the revenue from which has more than compensated for the higher prices we had to pay for a substantial proportion of our requirements of barley and malt, and has made possible the increased profit.

This year the prospects of the barley crop are much better both as regards quantity and quality, and the Government has controlled the maximum price; but the labour question is more acute, so that it is very doubtful under these conditions whether or not the very large output can be sustained.

THE BURMAH OIL COMPANY, LIMITED

POSITION IN BURMA

CHAIRMAN'S STATEMENT

The adjourned fortieth annual general meeting of the members of the Burmah Oil Company, Limited, was held, on the 17th instant, in the Merchants' Hall, 30, George Square, Glasgow.

In the absence of Sir John T. Cargill, Bart., chairman of the company, Mr Robert I. Watson, managing director, presided.

The following statement by the chairman was circulated with the directors' report and accounts:—

It is unnecessary to look further than to the universal experience of the war's delaying effects on overseas communications, and to the war's extension into Burma itself for explanation of the belated completion and submission of the accounts for 1941 and for the adjournment of the annual general meeting recently held to comply with statutory provisions.

The rapidity with which the enemy brought war to, and overran, Burma unfortunately involved the loss, inter alia, of records of trading transactions, in respect of the closing months of 1941, by the company's subsidiaries operating in Burma and, as will be seen from the note on the revenue side of the profit and loss account, some estimating of these has been unavoidable which, it is believed, has been done on a conservative basis.

YEAR'S RESULTS

Results come fully up to expectations ventured by me last year and, but for the eclipse, temporary only we hope and believe, of the fortunes of Burma, they clearly would have justified as generous a distribution to ordinary stockholders as for 1940.

Lest these be of possible value to the enemy, the public interest continues to require discretion, not least by chairmen of such public companies as ours in remarks and explanations normally expected by stockholders. Subject to this, however, I shall do my best to inform you as briefly but as completely as possible on the salient facts affecting the present position and the future prospects of your Burma interests, and generally.

FINE WORK OF STAFF IN BURMA

The story of the denial to the enemy, under official instructions and supervision and in accordance with an officially pre-conceived plan, of all the assets of our fully owned subsidiaries operating in Burma, as it was so effectively carried out by our own men under conditions of great personal risk and unhappily involving some loss of life will, when it can be fully told, reveal determination, courage, and capacity of the highest degree. All stood to their tasks to the distasteful but vital end of "Denial"

and indeed essential production and "Denial" itself went on simultaneously almost up to the last. The "meritorious service" of all who took part has been recognised in "Mentions" of their leaders in a recent *Gazette*. Then nearly all these men had later to face great hardships and suffer serious illness in the arduous "trek" out of Burma into India, and our men in the Army, too, have shared, six fatally, in the rigours of the campaigns in Burma or elsewhere, several receiving decorations and "Mentions."

The company's appreciation of these splendid services has already been conveyed to survivors and, together with expressions of condolence and sympathy, to the relatives of those who have fallen in their performance.

Alternative employment of war time importance has been found for all our men who came out of Burma free and able to take it, and the way to retirement has been eased for the few whose employable time in an eastern climate was in any case nearing its end.

POSITION OF BURMA SUBSIDIARY COMPANIES

While our Burma subsidiary companies naturally look for restoration of their assets lost under "Denial," one cannot say when this may be or the conditions to which they will return. It is imperative, therefore, that we should all understand that, even assuming the best priority in respect of manufacture and shipment of the plant and equipment necessary (and we are closely engaged on the study of all this now), rehabilitation to pre-Denial stature, if that is found practicable at all, can only be gradual and may extend over a considerable time. The unhappy fact must therefore be faced that, savings in depreciation, wages, and in other ways, notwithstanding and even allowing for the fact that over the next two years, and masking the stabilised position which will later be realised, there should be something coming to them from closing off and bringing into their trading returns unsold stocks held by them outside Burma together with taxation and/or other balances, trading profits will be confined to what oil products purchased for the steeply rationed outlet available to them in India may yield and must thus inevitably show a heavy decline on past experience which will continue until rehabilitation is possible and is gradually completed to its maximum economic potential.

From similar causes, and we would hope also only temporarily, there have been setbacks to some of the sources of our investment income, but here there would appear to be some grounds for anticipating at least compensating flows from others.

BOARD'S SOUND DIVIDEND POLICY

Your directors had all these considerations prominently before them when they decided, despite them, that it would be unreasonable in the face of 1941 results and the strength of your balance-sheet to restrict ordinary stockholders to the first interim declaration of 5 per cent., less tax, in November last year. Their recent declaration of a second interim of 7½ per cent., less tax, was, however, coupled in the circumstances with the recommendation that this should be the final for the year, and I am sure that you will accept this as a reasonable compromise between earnings distributed and those retained.

VALUE OF INTERESTS IN BURMA

As the report preceding this statement tells you, our book value of our interests in Burma is estimated at some £3,400,000. Let there be no mistake about the significance of this figure or misunderstanding as to the views of our subsidiary Burma operating companies on where the cost of rehabilitation should finally lie. The figure represents neither the actual monies put into these Burma properties nor what their rehabilitation is likely to cost; either would be several times this amount. All it represents is our own book cost of our interests in Burma which we have thought it well meantime to set off by the creation of a specific reserve by transfers of this amount from our field expenditure equalisation and fire and marine insurance reserves at the expense of the elimination of the former and the reduction of the amount at the credit of the latter to £256,930. The wholly owned subsidiary companies' "balance of trading" in your profit and loss account is after meeting their administration costs and providing £168,003 for depreciation and we ourselves have added £650,000 to our general and £150,000 to our taxation reserves out of 1941 profits bringing these reserves up to £2,000,000 and £1,250,000 respectively while increasing the carry forward, at £251,920, by £15,384.

THE FUTURE

Among the many uncertainties surrounding the future there is unhappily the certainty that earnings will be considerably prejudiced for an indeterminate period by what has happened in Burma. Ordinary stockholders should, therefore, in this period draw no other conclusion from interim dividend declarations, or from the absence of any, than that the board has respectively seen its way clear to the declaration or has felt that the final results of the particular year must be awaited before making any.

The report and accounts were unanimously adopted.

The second interim dividend of 7½ per cent. (1s. 6d. per £1 unit) paid on September 28, 1942, was confirmed as the final dividend on the ordinary stock for the year 1941.

Mr W. A. Gray and Sir Kenneth B. Harper, the directors retiring by rotation, were unanimously re-elected, and the auditors, Messrs Brown, Fleming & Murray, were reappointed for the current year.

(Continued from page 768)

Constituent Assembly for India. By N. Gangulee. (London) Allen and Unwin. 303 pages. 16s. net.

Pétain-Laval. The Conspiracy. (London) Constable. 58 pages. 2s. 6d. net.

FIGHTING FRANCE:

No. 1. *The Nazification of Vichy France.* By P. Tissier. 40 pages. No. 2. *French Public Opinion Since the Armistice.* By G. Boris. 23 pages. No. 3. *Free French Africa.* By A. Laguerre. 38 pages. (Oxford) The University Press. 6d. each net.

The above books are also published in French, at the same price.

Public Affairs Pamphlets. No. 72. *How to Win on the Home Front.* By Helen Dallas. (New York) Public Affairs Committee. 32 pages. 10 cents.

Industry and Rural Life. Being a Report of the Cambridge Conference of 1942. Edited by H. Bryant Newbold. (London) Faber and Faber. 182 pages. 8s. 6d. net.

Daily Mail Year Book, 1943. (London) Associated Newspapers, Ltd. 256 pages. 1s. 6d. net.

Guide to the Problem of India. By R. Palme Dutt. (London) Gollancz. 200 pages. 4s. 6d. net, paper.

The Government of Labor Relations in Sweden. By J. J. Robbins. (London) H. Milford. 367 pages. 21s. 6d. net.

Modern Synthetic Rubbers. By H. Barron. (London) Chapman and Hall. 274 pages. 25s. net.

Excess Profits Tax and NDC. By N. E. Mustoe. (London) Pitman. 418 pages. 25s. net.

PENGUIN BOOKS:

The Life of Nelson. By Capt. A. T. Mahan. 253 pages. *A Life of Shakespeare.* By H. Pearson. 160 pages.

The Penguin Hansard. Vol. V. April to June, 1941, 316 pages. (Harmondsworth) Penguin Books. 6d. each.

Living in Cities. By R. Tubbs. 52 pages, illustrated, 1s. net.

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Dec. 13, 1941	Dec. 12, 1941	Dec. 13, 1941	Dec. 12, 1941
Working days:	6	6	294	293
Birmingham	2,103	2,572	111,913	122,563
Bradford	1,815	1,144	106,556	100,619
Bristol	2,329	644	99,838	99,813
Hull	689	698	32,321	37,001
Leeds	768	733	49,603	54,101
Manchester	4,579	4,154	270,174	223,089
Newcastle	10,476	11,121	574,706	593,336
Nottingham	1,443	1,350	65,911	72,079
Sheffield	527	540	21,806	22,933
Southampton	74	98	34,906	41,531
12 Towns	26,031	24,252	1,412,825	1,414,216
Dublin*	11,428	8,586	301,555	327,075

* Dec. 6, 1941, and Dec. 5, 1942.

OVERSEAS BANK RETURNS

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

	Oct. 31, 1941		July 31, 1942		Aug. 31, 1942		Sept. 30, 1942	
	1941	1942	1942	1942	1942	1942	1942	1942
ASSETS								
Gold in bars	31.6	65.2	56.6	61.9				
Cash	38.0	35.9	36.2	39.7				
Sight funds	15.8	15.8	15.6	15.6				
Commercial bills	110.7	114.0	112.2	111.1				
Treasury bills	31.8	30.4	30.4	30.4				
Time funds at interest	21.0	20.9	20.9	20.9				
Sundry funds and invests.	222.5	199.7	200.5	200.4				
LIABILITIES								
Deposits	152.7	152.7	152.7	152.7				
Annuity	76.3	76.3	76.3	76.3				
German	20.7	15.9	15.4	15.5				
Central Banks	2.8	4.2	3.4	5.7				
Other	24.2	37.7	29.1	33.8				
Gold								

U.S. FEDERAL RESERVE
Million \$'s

	Dec. 1941		Nov. 1941		Dec. 1942		Nov. 1942	
	1941	1942	1941	1942	1942	1942	1942	1942
12 U.S.F.R. BANKS								
Gold certifs. on hand and due from Treasury	20,516	20,555	20,555	20,555				
Total reserves	20,516	20,555	20,555	20,555				
Total cash reserves	224	236	231	240				
Total U.S. Govt. secs.	2,240	4,843	5,140	5,546				
Total bills and secs.	2,255	4,868	5,164	5,570				
Total resources	24,571	27,127	27,630	27,872				
LIABILITIES								
F.R. notes in circ.	8,014	11,616	11,808	11,902				
Excess int. bank res.	3,090	2,520	2,500	2,800				
Mr. bank res. dep.	12,497	12,746	12,840	13,267				
Govt. deposits	925	68	94	60				
Total deposits	14,905	14,047	14,234	14,510				
Total liabilities	24,571	27,127	27,630	27,872				
Reserve ratio	90.6%	81.1%	79.9%	78.8%				
BANK AND TREASURY RESOURCES								
Monetary gold stock	22,747	22,742	22,743	22,743				
Treasury & bank currency	3,238	3,377	3,381	3,383				
LIABILITIES								
Money in circulation	11,023	14,648	14,848	14,986				
Treasury cash and dep.	3,118	2,307	2,337	2,252				

CENTRAL BANK OF ARGENTINA
Million paper pesos

	Oct. 31, 1941		Nov. 30, 1941		Dec. 31, 1942		Nov. 30, 1942	
	1941	1942	1941	1942	1942	1942	1942	1942
ASSETS								
Gold at home	1,075	1,075	1,075	1,075				
Other gold and for exch.	440	629	728	798				
Non-int. Govt. bonds	119	114	114	114				
Treasury bonds	394	392	392	392				
LIABILITIES								
Notes in circulation	1,260	1,492	1,504	1,520				
Deposits: Government	137	35	36	45				
Private	545	637	736	793				
Certs. of participation	30	29	26	26				
Reserve ratio	75.9%	77.5%	78.6%	78.8%				

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

	Oct. 31, 1941		Sept. 30, 1941		Sept. 30, 1942		Oct. 31, 1942	
	1941	1942	1941	1942	1942	1942	1942	1942
ASSETS								
Gold and stg. exch.	17.64	27.99	29.50	29.41				
Advances to State	19.88	28.31	27.11	25.81				
Investments	3.82	4.15	4.15	4.15				
LIABILITIES								
Bank Notes	22.26	26.74	26.86	26.81				
Demand Liab. State	8.23	10.40	8.55	9.35				
Bank and others	9.93	22.66	24.13	22.36				
Reserve to sight funds	13.5%	17.3%	19.5%	19.2%				

SOUTH AFRICAN RESERVE BANK
Million £'s

	Nov. 30, 1941		Oct. 31, 1941		Oct. 31, 1942		Nov. 30, 1942	
	1941	1942	1941	1942	1942	1942	1942	1942
ASSETS								
Gold coin and bullion	52.22	69.78	70.61	71.19				
Bills discounted	11.61	1.02	1.04	1.04				
Invest. and other assets	41.39	64.06	65.65	65.37				
LIABILITIES								
Notes in circulation	26.69	33.83	37.34	36.26				
Deposits: Government	22.38	5.55	5.92	3.32				
Private	45.12	85.12	85.28	86.86				
Others	6.91	6.14	6.59	7.14				
Reserve ratio	51.7%	53.6%	53.4%	53.4%				

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Allowance is made for net interest accrued, and for redemption at par															
Prices, Year 1941		Prices, Year 1942		Name of Security	Price, Dec. 8, 1942	Price, Dec. 15, 1942	Yield, Dec. 15, 1942	Prices, Year 1942		Last two Dividends		Name of Security	Price, Dec. 8, 1942	Price, Dec. 15, 1942	Yield, Dec. 15, 1942
High	Low	High	Low					High	Low	(a)	(b)				
British Funds															
82½	76½	83½	81	Consols 2½% (after 1957)	81½	81½	5 1 6	48/—	41/3	7 b	4 a	Iron, Coal and Steel	47/6	48/3	4 11 0
113½	110	113½	111	Consols 4½% (after 1957)	111½	111½	13 9/16	52/—	41/10	11½ b	33 a	Bolsover Colliery Ord. £1	49/6	49/6	6 1 0
100	98½	100½	99½	Conv. 2½% 1943-45	100½	100½	2 0 0	25/—	18/5	16½ b	33 a	Brown (John) Ord. 10/-	29/6xd	29/6	3 7 0
100½	98½	101½	99½	Conv. 2½% 1944-49	101½	101½	1 19 0	22/7½	14/-	5 b	3 c	Colvilles Ord. £1	23/6	23/6	6 16 0
103½	101½	103½	101½	Conv. 3½% 1948-53	103½	103½	1 2 9 0	31/9	20/—	7 b	4 a	Dorman Long Ord. £1	22/3	22/3	Nil
106½	102½	108½	105½	Conv. 3½% (after 1961)	105½	105½	3 6 0/12	32/-	25/7½	7½ b	15 b	Guest Keen & Co. Ord. £1	30/-	30/3	6 12 6
108½	104½	105½	103	Conv. 5% 1944-64	106½	106½	2 15 5	50/3	45	12½ c	12½ c	Hadfields Ord. 10/-	30/6	30/3	7 8 6
95½	91½	96½	93½	Funding 2½% 1952-57	96	96	2 15 5	50/3	45	12½ c	12½ c	Staveley Coal Ord. £1	49/-	49/6	5 12 6
100½	97½	101½	98½	Funding 2½% 1959-69	101	101	2 18 5	37/6	31/-	4 a	6 b	Stewarts and Lloyds £1	49/9	50/6	2 20 0
101½	98½	101½	99½	Funding 4½% 1960-90	113½	113½	3 0 0	26/11	21/-	2½ a	5½ b	Swan, Hunter Ord. £1	36/-	35/9	5 12 0
116½	111½	116½	113½	Nat. Def. 2½% 1944-48	101½	101½	2 3 6½	18/9	15/51	6 b	4 a	Thomas (Richard) Ord. 6/8	77½	87½	3 18 0
101½	100½	101½	99½	Nat. Def. 3½% 1954-58	102½	101½xd	2 16 3					United Steel Ord. £1	22/6	22/6	6 0 0
102½	100	103	100½	War Bonds 2½% 1945-47	101½	101½	2 0 0	16/41	7/-	Nil c	Nil c	Vickers	18/3	18/-	5 11 0
100½	99½	101½	99½	War Bonds 2½% 1946-48	100½	100½	2 18 1	43/6	33/6	5 b	33 a				
101	100	101	100	Savings Bds. 3½% 1955-65	101	101	2 18 1	45/9	31/-	2½ a	5 b				
101	100	101	100	Victory Bonds 4½%	114	114	2 16 2	17/10	2/3	Nil c	3 c				
114½	110½	115½	112½	War Loan 3½% 1955-59	102	102	3 7 3/4	35/6	22/9	7½ c	7½ c				
101½	100½	103	100	War Loan 3½% att. 1952	104½	104½	3 2 4								
106½	102½	106½	103½	Local Loans 3½%	96½	96½	3 0 9	78/-	71/3	10 b	5 a				
96½	89½	97½	95½	Redemption 3½% 1986-96	99	99	2 16 0	24/9	20/9	7½ a	12½ b				
99½	93½	101	98½	Austria 3½% 1933-53	102	102		46/9	37/6	10 c	10 c				
102	100	102	101	Dom. & Col. Govts.				88/-	78/4½	17½ c	17½ c				
				Australia 5½% 1945-75	102	101½	4 4 6								
				New Zealand 5½% 1946-	101½	101½	4 11 6								
				Nigeria 5½% 1950-60	111	111	3 4 5	42/11	34/6	5 b	3 a				
				Corporation Stocks				18/-	12/11	Nil c	Nil c				
				Birmingham 5½% 1946-56	107	107	3 2 2	33/-	29/4½	4½ b	24 a				
				L.C.C. 3½% 1954-64	96½	96½	3 0 0	40/41	37/41	5½ b	24 a				
				Liverpool 3½% 1954-64	100	100	3 1 6	41/3	39/-	5 b	3 a				
				Middlesbrough 3½% 1957-62	105	105		21/9	15/-	10 c	10 c				
				Foreign Governments				25/9	20/11	7½ c	7½ c				
				Argentina 4½% 1933-53	101½	101½	4 10 0	14/9	9/3	6 b	4 a				
				Brazil 5½% Funding 1914	62	62	4 0 8½	19/3	11/9	110 c	78 c				
				Chile 6½% (1929)	32½	32½	4 0 11½	32/6	24/1	3 a	3 b				
				Egypt Unified 4½%	96½	99	4 10 5	11/4	11/4	10 c	10 c				
				Portuguese 3½%	89½	89½	3 7 0	25/10	21 a	12½ b	12½ b				
				Spanish 4%	57½	57½	6 19 2	29/10	10 a	17½ b	17½ b				
								106/3	82/6	20 c	20 c				
								23/-	13/3	Nil c	Nil c				
								25/9	21/6	6 c	6 c				
								36/3	25/3	2 a	6 b				
								26/11	20/7	5 c	6 c				
								21/11	16/-	5 c	5 c				
									</						

December 19, 1942

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

Oct., 1939-Dec., 1940	10,598	10,043	94.8
Total 1941.....	29,329	27,475	93.7
October 1941.....	3,130	2,887	92.2
November ".....	2,400	2,228	92.8
December ".....	2,955	2,752	93.1
January, 1942.....	2,420	2,218	91.7
February ".....	2,670	2,535	94.9
March ".....	2,366	2,211	93.5
April ".....	2,487	2,323	93.1
May ".....	3,069	2,905	94.7
June ".....	2,983	2,738	91.8
July ".....	3,205	2,881	89.9
August ".....	2,658	2,445	92.0
September ".....	2,440	2,215	90.8
October ".....	4,151	3,940	94.9

Source: Ministry of Food.

	Mar. 31, 1937*	Aug. 30, 1939	Dec. 9, 1941	Nov. 24, 1942	Dec. 8, 1942
Cereals and Meat.....	93.0	66.9	104.9	105.9	106.2
Other Foods.....	70.4	61.1	98.7	103.3	104.4
Textiles.....	74.2	54.3	94.4	92.8	94.2
Minerals.....	113.2	95.4	130.5	137.2	137.2
Miscellaneous.....	87.0	77.6	113.9	122.0	123.8
Complete Index.....	87.2	70.3	108.4	111.8	112.7
1913 = 100.....	119.9	96.8	149.1	153.9	155.0

* Highest level reached during 1932-37 recovery.

	Dec. 10, 1942	Dec. 11, 1942	Dec. 14, 1942	Dec. 15, 1942	Dec. 16, 1942
Crops.....	119.6	119.6	119.7	119.7	119.7
Raw materials.....	172.7	172.7	172.7	172.7	172.7
Complete Index.....	143.8	143.8	143.8	143.8	143.8
	Mar. 31, 1937*	Aug. 30, 1939	Dec. 9, 1941	Nov. 24, 1942	Dec. 8, 1942
Crops.....	147.9	92.2	115.3	119.1	119.6
Raw materials.....	207.3	122.9	172.7	172.7	172.7
Complete Index.....	175.1	108.4	141.0	143.3	143.8

* Highest level reached during 1932-37 recovery.

THE ECONOMIST

ESTABLISHED 1843

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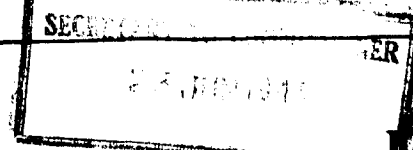
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Forward Look

THE year is dying; and so it seems are the old inflexible doctrines of State Socialism. Mr Morrison's week-end speech at Swindon, which was in some ways the best speech any Minister has yet made on the future of economic policy, was doubly important. Personally, it was a challenge. While Sir Stafford Cripps, as Minister of Aircraft Production, has taken over Mr Morrison's old 1940 slogan to war workers of "Go to it," Mr Morrison was intent to prove in his speech that the departure of Sir Stafford from the War Cabinet has not left a gap; to show that he, Mr Morrison, has the vision and the time, despite his double departmental duties, to look broadly round him at the nation's problems and to scan the scene ahead. Politically, the speech was an even more significant portent. The old Socialist cry of "the nationalisation of the means of production, distribution and exchange" is apparently outmoded. Mr Morrison's plea for a balance between public and private enterprise in reconstruction was only different from the programme supported by, say, Mr Lyttelton in its different starting point. Mr Morrison laid down three principles for future policy: the development, by the state and by its citizens, of "a spirit of effort, initiative and adventure" in the making of a "preventive and posi-

tive" policy which will render the task of maintaining minimum standards itself a secondary, though essential, consideration; the replacement of fear by faith as the nation's taskmaster; and the ruthless abolition of restriction and monopoly in the building up of the nation's wealth. Here was Mr Lyttelton's plea for more of both public and private enterprise in another and fuller version. The war against restriction, to which some Ministers at least from all parties have now pledged themselves, will be as important in its own way as the present war against the Axis. There is a strange superstition among the reformers of today, struck by the need to replace scarcity by plenty in the communal interest, that the new vistas of a truly social policy in production and consumption have discredited or at least outdated the views of the so-called classical economists. Nothing could be more wrong. People in these days do not read Adam Smith; he is only a garbled folk memory. If they did read him, they would realise that the interests of the consumer and the maximum output of goods and services from all resources were the beginning and end of his thesis. A hundred and sixty-six years before Mr Morrison laid down that "we must turn our backs for ever on schemes of restriction, of goods or of labour," Adam

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Smith said the same. It is to re-establish the conditions in which the market worked for the greatest happiness of the greatest number that the skill and ingenuity of the modern planners is now called for. First among the objectives of the nineteen forties and fifties is to place an effective restraint upon the chronic tendency of producers and traders, which Adam Smith described so inimitably, to band together in their own special interests, and so to deprive the consumer and citizen of the full flow of the goods and services he wants and needs at prices which he can afford to pay.

The means to provide this restraint have changed with the environment and history. When Mr Morrison argues that enterprise need not be private in order to be enterprise, he can point westward to the Tennessee Valley and eastward to the Dnieper Dam. But Mr Morrison agrees, it seems, equally with the view that enterprise need not be public to be socially valuable and progressive. Social control, he says, must take many forms. There is no overriding dogma, no universal panacea. Posts and telegraphs may be state-run; industrial monopolies may be best conducted by public corporations; the vast range of industries and activities, including even the apparently highly competitive business of retail trade, which come near to monopolies in effect because of mergers and trade agreements, must defer to "public guidance and public accountability"; and, outside these categories, there is the vast and fruitful field of individual enterprise, the home of the pioneer, the risk-taker and the small and medium-sized undertaking, where all that the community need call for is "proper business practice and decent working conditions."

Thus the ambit of social control may be unlimited; but the kind and degree of state interference will be infinitely varied. Its extent will depend upon the essentiality of the goods and services concerned—for the state's responsibility to guarantee a national minimum of necessities is unbreakable—and upon the scope which monopoly or quasi-monopoly may have secured. Mr Morrison is right to say that the establishment of minimum standards of living and working are a *sine qua non*, and that there are no economic or financial reasons why the necessary readjustment of real and money resources should not be carried out. But, no less rightly, he says that this is only a part of the programme; the real aim is Full National Output, and the main obstacle to this is restriction.

There has been a good deal of discussion since the Beveridge plan was published about the rôle of exports. Rightly, it has been pointed out that the fullest possible international trade is as important as full employment to this country in its search for social security. Wrongly, it has been suggested that the redistribution of income called for by the Beveridge plan will seriously impede exporting. Money costs, Mr Nicholas Kaldor has calculated, may indeed be raised by two to three per cent. But the assumption of the plan is that money costs in term of prices will already have been raised by some 25 per cent compared with pre-war levels. It will be necessary in any case to re-fix the external value of the pound after the war in the light of post-war price levels in other

countries; and the extra burden of Beveridge, if burden there is, will not be significant. The essentials of post-war exchange and trade policy are two. First, there must be no attempt, as in the nineteen twenties, to balance overseas payments by creating unemployment at home—the crazy, irrational expedient of financial stupidity. Secondly, whatever transitory controls on imports may be needed must be devised to wither away as exports grow. The opportunity will be there for British manufacturers and salesmen; and the money cost of social security, which is no real burden, need be no obstacle. The Beveridge plan implies an extra transfer of income from class to class of four to five per cent of the national income. But the elimination of unemployment after the war would in itself raise pre-war real income by from ten to fifteen per cent; and the most pessimistic calculations of Britain's international position after the war, with its income from overseas assets and services inevitably reduced, do not envisage a reduction in real national income from these causes of more than ten to twelve per cent. It is not Beveridge, the National Minimum or what Mr Morrison has called the Proper Welfare Standard that will impede British prosperity after the war. The impediment most to be feared, as Adam Smith would have insisted, is the monopolist, in his many guises.

Nowhere is the monopolist more to be feared than in the field of export trade. It is not possible for Britain to replace the employment provided by exporting simply by a corresponding addition to home investment and employment. Britain is too dependent upon overseas supplies, both for the actual materials of manufacture and the actual necessities of life, for exports to be superseded. If the proper restraints and corrections are not devised, then trade associations of the most virulent kind may find themselves in a position after the war to fix the prices of semi-processed goods and components which enter into export trade. Indeed, with the pre-war tendency to encourage trade associations in the organisation of overseas trade, a tendency which, to say the least, has not been lessened by war conditions, there is a distinct danger that a great part of export costs may be determined by trade association policy. When the monopolist works for the home market, restricting output in his own interest, it is possible to oust him by public enterprise. But when he raises exporters' costs by so fixing the prices of goods and components as to cover the weakest producers at several successive stages of production, the damage is less easily remedied. To counter this inflation of export costs by giving differential favours to exporters would be a confession of failure, for in the national interest it is vastly important that no support should be given by this country to the unneighbourly subsidising, by one means or another, of traders in overseas markets. The real remedy is to prevent the disease from starting, to stop the trade associations from being in a position to impose inflated charges by restrictive agreement upon consumers either abroad or at home.

This is only one among many answers that should be given to rebut the frequent claim that post-war policy in industry and trade should be determined and worked out by industry and trade itself. As Mr Morrison said at Swindon, the last aim of state policy should be to leave the monopolists in their glory and set up a corporate state. The foe above all of future plenty and progress is sectionalism; Mr Morrison in his speech denied the sectional claims of producers, whether entrepreneurs or workers—an important piece of plain and honest speaking. Instead, there is needed a policy to make the real national income as large as possible and to distribute it among the population in the fairest and most efficient way. This involves, as the Minister said, a National Income Policy in place of a Treasury Policy. It involves an Economic and Industrial Budget to take stock of the nation's entire resources, instead of simply an old-style Budget to cast up financial ways and means. Only by these methods can the full capacity of this country be measured and put to use; and only by the rooting out of restrictive policies, whether devised by trade associations, trade unions or financial reactionaries, can this be made possible.

Faded Laurels

ITALY'S twenty-first year of Fascism began badly enough. Its northern cities were already feeling the weight of severe British raids. In Egypt, General Alexander's offensive, which was to result in the loss of six Italian divisions, had already been launched. But the two months which have followed have brought with them much more serious happenings, from the Italian standpoint. The strategic picture has been radically changed; and the not far distant prospect of war on Italian soil has been underlined by the start of the two-front war in the air, which the Allied landings in North Africa have made possible. To continued and intensified RAF raids on the great arsenals of the Lombard plain have been added attacks on Sicily and Naples by aircraft based on North Africa. And the First and Eighth Armies are closing in. The moral of the Allies' successes has not been lost on the inhabitants of the "European fortress's" most exposed rampart. The events of the last two months have converted Italy from a nation down on its luck to a nation in deadly danger.

Neutral observers suggest that the event which did more than anything else to drive home to the Italians the implication of recent disasters was Mussolini's speech on December 2nd. The Duce was replying to Mr Churchill; he accepted the challenge; he told the world that Fascism will fight it out. His Italian listeners might presumably have been expected to take this determination for granted; the fact that it had to be stated in this way brought home, as nothing else has done, the acuteness of Italy's danger. Moreover, there is some evidence that the shattering experiences of the past two months have affected the Italian will to fight. Never very enthusiastic about fighting Germany's war, the middle and working classes in Rome, Naples and the northern cities seem to have become more vocal. There have been peace-demonstrations by the congregation of St. Peter's and by the crowds which lined the roads on the occasion of the royal visit to Genoa.

It is, however, equally clear that the Fascist party is taking energetic measures to prop up morale and strengthen its control over opinion. The detailed report given to the National Directorate of the Fascist party at the beginning of December shows that the party organisation is being used as the main agency for the distribution of relief, evacuation and billeting. Some details were given of the dimensions of the recent purge of lukewarm officials, which appears to have been severe and thorough. Meanwhile, in the *Regime Fascista*, Farinacci daily exhorts party officials to stamp out defeatism and grumbling. The Italian Government

realises that an unprecedented strain is being placed on morale. It is taking measures to retain control of the situation. And, for the present, the greatest stress is that imposed by RAF raids. The Italians are now in the throes of all and more of the problems with which this country grappled, and over which it triumphed, in the first two years of war. The decision to encourage large-scale evacuation in Italy, for instance, is bringing with it the inevitable train of problems of transport, billeting, labour, profiteering, and even currency. A quotation from the *Gazzetta del Popolo* of Turin on December 9th is revealing:—

It is irrational to withdraw all deposits that have been made, or to abstain from depositing any sums available, in order to hoard currency notes against a hypothetical day when who knows what may happen.

The fact that these problems have arisen proves nothing but the intensity of the British raids. It has still to be seen whether the Italian Government can provide solutions; but there is no doubt that there has been some panic and considerable muddle.

The Germans are as concerned as the Allies to find out Italy's capacity to "take it" and fight back. Rudolf Kircher, in the *Frankfurter Zeitung*, places elaborately argued confidence in the traditional resilience of Italians in the face of natural disasters.

There is no denying that entire residential districts of Genoa and Turin are in ruins. But are not the Italians the very people who have defied the terrible natural catastrophes of the volcanic districts of Italy and rebuilt their homes on the very spots of disaster?

And, far-fetched and unconvincing as this argument from the stoic tradition may sound, it contains a grain of truth which the Allies cannot afford to disregard. The RAF raids and the news of Axis defeats in North Africa are shaking the Fascist regime to its foundations; but so long as the regime remains based on the patient resignation and endurance of the Italian peasants, and so long as the Germans can steer and decide Italian policy, there is no great chance of a landslide. It is still less difficult for the Italian people to acquiesce in the conduct of the war than to oppose it. Nothing but the presence on Italian soil of military opposition to the regime can certainly change this position. None of the evidence which the Italian press so liberally provides of a heart-felt longing for peace, of corruption, oppression and devastation, can alter the overriding dominance of totalitarian Fascist power backed

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by the *Gestapo* and the *Wehrmacht*. The military events of the last two months have powerfully assisted in the psychological preparation of the Italian people for the defeat of Fascism; but this is only the beginning.

The most remarkable achievement of two decades of Fascism is the completeness of the political vacuum which it will leave behind it when it goes. Memories of the possession of civil liberties, of freedom of expression of any sort, of responsible political criticism and of free institutions have been dead for more than twice as long as they have been in Germany. It is true that the Fascists eliminated their political opponents with less thoroughness than the Nazis—though with just as much ferocity; and, in consequence, it has been possible for many years for the elements of an underground movement to survive and remain active. There may be, as Ignazio Silone suggests, a seed of free and democratic endeavour ready to form the nucleus of a more honourable Italian state. But for the present, there is no element, either inside Italy or outside it, which can be expected to rouse the Italian people against their present rulers or even to step, as welcome representatives, into the Fascists' shoes. Totalitarian government is a deadening process. Political regeneration cannot be expected to coincide in time with military defeat. Dispirited and disillusioned as the Italians

undoubtedly are, they lack any focus of resistance. They have no alternative leader or alternative ideal. Nor are they likely to find them until military defeat has shattered the prestige and the continuity of the Fascist system. To hope to make a peace with any element in Italy at present is a dangerous and insidious fallacy, for no group that has status there is independent of the Fascist regime. Not until Italy is beaten and the regime broken can discussions of any use or honesty be contemplated.

When defeat eventually comes, the interval between armistice and peace treaty will show what stuff there is in the submerged and exiled devotees of Italian freedom. To-day, they are inarticulate or out of touch. They cannot be expected to deal the death blow to a regime which retains its hold. However much evidence piles up to prove that the whole Italian nation knows that a disastrous crisis in its destiny is approaching, the occupying Germans are still able to call the tune. Mussolini recently ordered the Italians to intensify the cultivation of their laurels, in order to extend the use of oil from laurel bushes in the manufacture of soap. And the Italian nation will continue to cultivate its faded laurels—even though its enthusiasm may wane to vanishing point, until it is made unmistakably plain that the Fascist regime has for ever become a thing of the past.

Against Monopoly

DISCUSSION of the limits and mode of the state regulation of industry and trade has reached a peak. It is plain, whatever the shape of policy to come, that the control of monopoly and quasi-monopoly is a crucial question. This is a field where there is little practical experience to guide the argument. Unfortunately, perhaps, such experience as has been gained in the United States in this matter has received only scant attention.

The history of the early anti-trust legislation in the USA is fairly well known. Broadly speaking, the famous Sherman and Clayton Anti-trust Acts were failures. Monopoly continued to spread, and the field of "free competition" was progressively narrowed. The Acts tended to fall into disuse, and were only revived—often for political reasons—to wage occasional anti-trust campaigns against particularly large combines. The New Deal brought this period of spasmodic and ineffectual trust-busting to an end. Instead of trying to compel individualism to survive by law, the Government, in effect, accepted the large corporations, and began to intervene directly in the industrial field to prevent them from abusing their power. Instead of penalising, or attempting to penalise, the combines that transgressed the law, the new legislation gave the Administration power to intervene before the stage of transgression was reached. It aimed, in fact, at creating a permanent machinery for the regulation of industry by the Administration. This was clearly seen in the speech of President Roosevelt to the Senate in January, 1934: "We have created (he said) a permanent feature of our modernised industrial structure," to prevent both ruinous rivalry in industry and monopoly and restraint of trade "under the supervision, but not the arbitrary dictation of the Government itself." Unfortunately for the President's predictions, the National Industrial Recovery Administration (NIRA) lasted only two years, two years which saw a distinct growth rather than diminution of monopolistic practices and restraint of trade.

The reasons for this failure were political rather than economic. In 1931, the burning issue was unemployment, and the Administration's hand was forced by the necessity of obtaining a quick acceptance of the NIRA "codes" to promote confidence and to stimulate industrial revival. The Government had also to face the opposition of business men frightened by this new encroachment of the state in the industrial field and by the demands of New Dealers for higher wages as a means of increasing pur-

chasing power. It is not to be wondered at that the codes—which, if accepted, exempted the industries concerned from the actions of the Anti-Trust Acts—were shaped very largely by the wishes of industrialists.

But the codes are worth considering in greater detail—only because they illustrate the wishes of industrialists so clearly. They were submitted by trade and industrial associations and, when accepted by the President, were binding under the sanction of heavy penalties on the whole industry concerned, a provision which forced many to join trade associations. No exact definition was made of what would or would not be permitted, and each association went as far as it dared in demanding the restriction of competition and the control of output. The success achieved varied from industry to industry. Direct control of output was generally denied, but indirect control was often allowed, especially in the case of textiles, where, by prescribing maximum hours of plant operation, sources, however, were accorded special treatment, partly strength of the interests involved. Petroleum, copper, and iron, generally by a quota system. In each case the price of the products rose substantially; the price of crude petroleum rose as much as 25 per cent during the second half of 1933.

Almost all the codes contained some provision for the control of prices, and in almost every case such provisions were evaded to a greater or lesser degree. In a few cases, chiefly natural products, direct control of prices was allowed which, despite evasion, forced them up. More often the codes prohibited sales at less than "cost of production," and as this obviously depended on a definition of "costs of production," complicated accounting systems were prepared. Few came into operation, however, before the Act was declared unconstitutional. More important were the provisions making it an "unfair practice" to sell at less than published prices, which enabled other firms to exert great pressure to bring recalcitrant firms into line with the price policy of the industrial association. In their effort to obtain comprehensive regulation, many of the codes also endeavoured to define methods of selling, and standard and quantity discounts. In particular, retail prices were often fixed with provisions making it illegal to sell at other prices. Monopoly practices did not lose, but gained.

The increase of prices and the growing criticism of the Act by consumers would probably have brought NIRA to an end, even if it had not been declared unconstitutional. As it was, the two years of its existence barely sufficed to show the practical results which might have been expected had it survived for longer. Two very important observations can be made. The first is the antithesis between the desire for "free enterprise" professed by the manufacturers, when speaking individually, and the enormous pressure towards restrictive regulation exerted when they acted as a group. The second concerns the narrowness of the view which considers each industry separately. The most amateur student of economics can see that, if all industries pursue restrictive policies, all must suffer in the long run. The advantage derived if a single industry pursues a monopolistic restrictive policy is lost if all do so. The associations who were the first to decry "cut-throat competition" seemed the last to discern the dangers of "cut-throat restriction."

The objectives of NIRA were impossible of attainment by the means it favoured. But the New Deal is not to be judged simply by this isolated, though very significant, failure. Even while NIRA was in operation, other Acts were being prepared and passed to give the Administration—not the Supreme Court as in the early Anti-trust laws—greater power to intervene in the internal affairs of companies. The Banking Act of 1933, the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935, were the most important. The first three were primarily financial measures; the first forbade banks and their affiliated societies to deal in securities; the second imposed heavy penalties and personal liability on directors of companies issuing prospectuses subsequently proved false in any particular; the third provided for the compulsory disclosure of Stock Exchange dealings to a Stock Exchange Committee if required, and limited the "margin" which brokers could give on security. These three Acts to a considerable extent "cleaned up" financial operations in the United States, and are still regarded as probably sufficient to prevent any recurrence of a financial boom of the dimensions of that of 1929.

The way cleared, the Public Utility Holding Company Act was carried against strenuous opposition in 1935. All companies in the public utility and steel industries were required to register with the Securities and Exchange Committee, which was given power to simplify their structure so as to restrict each company to a single integrated process. This "death sentence" clause was expected to lead to a wholesale breaking up of the utility industries. In practice, the financial difficulties of splitting up large combines, while preserving an equitable distribution between different classes of debenture and shareholders, were sufficient to postpone its large-scale application, at any rate to the outbreak of the war.

The Public Utilities Holding Company Act was followed by an experiment in a totally different method of state control—Government ownership and public corporations in competition with private enterprise. With the Tennessee Valley Authority, and such other hydro-electric schemes as the Bonneville, Grand Coulee, and Fort Peck schemes, the Government entered the industrial field proper, and in no small way. The schemes were carried through Congress despite the opposition of industrialists and member states. One of the main reasons advanced was that they would promote employment. But the Administration was still anxious to lead industry rather than to oppose it. This conciliatory attitude led the President, in February, 1939, to state again his desire for the Government and industry to work in co-operation "without problem or fear between them"; and, in pursuit of this policy, he announced that no further expansion of Government hydro-electric power plants was contemplated. This was followed by an attempt to reach agreement with existing distributors for the purchase of their concerns at market value, or by other arrangements, in order to obtain a market for the electricity produced by Government plants; the alternative would have been Govern-

ment purchase at the actuarial value of their assets or the creation of competitive distributive systems.

The reaction from NIRA was evidenced by a campaign for a new trial of the old anti-trust laws. The Temporary National Economic Committee—the "monopoly investigation"—reported in 1938, and revealed the widespread growth of combination in the country. Led by Thurman Arnold, Attorney-General in charge of the Department of Justice's anti-trust activities, and armed with the Committee's findings, considerable support was obtained for the view that a more vigorous and less corrupt application of the existing anti-trust laws might provide a solution. Little was done, however, up to the entry of the United States into the war.

The American type of war control has been fashioned by the industrial and political experience of the preceding decade. The Administration, in so far as has been compatible with the need for immediate action, has used its wartime controls to reduce monopoly rather than to strengthen it. In this country the Controls are almost exclusively in the hands of former directors of the largest firms in the industry concerned, and little if anything has been done to limit the power of the large combines. In the United States, on the other hand, a direct attack has been made on various trusts. Before the war, the American aluminium industry was virtually controlled by a single combine, but the war expansion of the industry has been attained by the setting up and expansion of four plants which are outside the combine. Again, while it is reported that the new synthetic rubber plants are to be in the hands of the leading firms of the rubber, chemical and oil industries, they are to be financed by the Reconstruction Finance Corporation and other Government agencies, which will retain a large measure of control. The same is true of the expansion of the steel and many other war industries. With vastly increased total output, this extension of Government control has not caused the rivalry once feared. But it will be different when peace comes.

The development of control in America has not been founded on clear theoretical reasoning. The solutions formulated and the measures adopted have been empirical, often opportunist. The Roosevelt Administration, which has been responsible for most of the experiments, has not been united in its views. But the broad line of development from the attempted distant control by the early anti-trust laws to the direct participation by the Administration in the industrial field is clear enough. The plea of "self-government for industry," so loud in Britain nowadays, would find little support, in principle at any rate, among the American public.

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NOTES OF THE WEEK

Harrying the Invader

The Russian offensive around Stalingrad had hardly come to what may still prove to be only a temporary standstill when a new offensive was launched on the Middle Don. The initial impetus of this thrust was at least as strong as the first thrust of the previous ones. It has carried the Russians from their starting-points north and east of the Don to Boguchar on the right bank of the river, and from there to the Voronezh-Rostov railway, half way between the Don and the Donetz. The attackers are now well astride that railway over a distance of more than fifty miles from Kantemirovka, almost to Millerovo. It may perhaps be too much to hope that the recapture of the Donetz region is already in sight. The relevant fact is that all along the front the initiative has passed to and been maintained by the Russians. Each offensive may for the time being achieve only limited objectives in comparatively limited sectors; but each of them appears to be a link in a coherent and well thought out series of powerful thrusts which make it impossible for the German command to concentrate large forces on individual sectors—and keep the enemy guessing all the time. Should the weather permit the Soviet command to apply this technique for a considerable time, then the results of the second winter in the east will prove more fatal for the German armies than those of the first. General Dietmar, the German wireless spokesman, was probably not overstating his point when he described the present fighting in the east as the "main battle in the sense given to the term by Clausewitz." Significantly enough, Dietmar omitted in his review the once familiar references to the invaders' material superiority; he preferred to pin his hopes solely on German morale. Meanwhile, on the Russian side, the creation of new generals continues; seventy-eight more officers have been thus promoted, and with the appointments recorded by *The Economist* during recent weeks the total number of new generals has been increased to about three hundred and sixty.

Race Against Time

Last week's claim that Rommel's army had been "cut in two" by a successful action in the stretch between Marble Arch and Wadi Matratn was, perhaps, somewhat premature. It is clear that the advance forces of the Eighth Army scored a considerable tactical success by their bold stroke; and the enemy was very severely mauled in the process. But there does not seem to have been any question of large-scale encirclement, as was at first hoped. Since then, the tempo of the pursuit, which had been impeded by the very numerous minefields sown by the retreating enemy, has quickened; and Rommel's retreat continues at breakneck speed. This week his advance guard moved on to Misurata, about 300 miles east of Agheila. The RAF has kept up its unremitting attacks on enemy transport and has been operating from new advanced bases; the *Luftwaffe* has been conspicuous by its absence. Rommel's prime object now appears definitely to be to remove himself and his Afrika Korps from Eastern Tripolitania as quickly as possible. Even if he decided to make a stand at Misurata, the last feasible point west of Tripoli, this would almost certainly not amount to more than a delaying action owing to his lack of air support and his paucity of tanks and guns. Axis strategy now seems to be concentrated on the defence of Tunisia and the Sicilian Narrows. The course of the battle in Tunisia itself is not very clear. It seems that the First Army advanced with insufficient air protection and possibly underestimated the strength of the defence; it is now accumulating "massive" forces for an attack. If such an attack could be launched before Rommel joined forces with Nehring—and it seems unlikely that the Eighth Army will be able to prevent this junction—correspondingly less time would be required before the Axis forces can be finally cleared out of North Africa.

In the Rear

The time is rapidly nearing when more official light will willy-nilly have to be shed on the political situation in North Africa. The honeymoon atmosphere has now been

dissipated. General Giraud, it is said, whom everybody trusts, is not seeing "eye to eye" with Darlan, whom very few trust. Seemingly tired of waiting meekly for the free use of Radio Morocco, over which Darlan appeared to have assumed sovereign and stringent rights, the American forces have "taken it over." There was never more than one test of Darlan's usefulness; would he deliver the goods? Up to a point it seemed that he had done so, though whether or not the goods he delivered were already on their way when he lifted up his voice will remain a riddle for historians to settle. And it is surely rather significant that in Tunisia, where the battle is still not settled and it is still not easy to say for certain which side, Axis or Allies, is going to be in a position to demand "collaboration," Admiral Esteva, who is a close associate of Darlan, has not yet made any pronouncement. The test is still undecided; but the latest signs suggest that the Allies are wisely beginning to take the precautions which military as well as political expediency would seem to demand.

Laval's Negotiations

Laval went to meet Hitler and Ribbentrop after Pétain had tried to clear the air by his letter to the Führer. He went with the full powers conferred upon him recently, which empowered him to make any decisions and to accept any agreement or *diktat* suggested. In spite of this, the outcome of the week-end meeting does not seem to have been in any way sensational. The German communiqué was significantly restrained. "Topical French problems were discussed"—this is about all that has been said officially; the familiar assurances of "complete understanding" and "cordial co-operation" did not appear this time. The spate of rumours which has followed has hardly brought any more light. The allegation that Laval was preparing a peace treaty with Germany was probably based on the presence of Count Ciano at the meeting with Hitler. But a peace treaty would involve a final solution of the French-Italian territorial dispute; and, from the German point of view, the position hardly seems ripe for this yet. The suggestion that French forces would be assigned the task of policing Poland and Germany's other conquests in the east can be dismissed outright. The situation there is much too tense and the resistance much too desperate to be tackled by a not very reliable force of French Fascists. The police work which Doriot's and Déat's followers have on hand, somewhat nearer, in France itself is urgent and big enough for them just now. The only subjects on which an agreement may be reached are the working of Laval's administration in the two occupied zones and perhaps the setting up of the "new French army." Hitler is apparently anxious to leave civil administration and police work in the very few "reliable" French hands that are available and thus to avoid a further drain on German manpower. The curious feature of the situation is that both sides, Vichy as well as Berlin, have now to play the game without their trump cards. With the loss of the African possessions and the fleet, Vichy has forfeited nearly all its bargaining power. But since the occupation of Vichy territory, Berlin, too, has lost most of its power to threaten and blackmail; almost all the threats have now been carried out.

The Final Test

The achievements of this country in war production have been exciting and huge. Inevitably, there is a tendency to mistake the immense achievements of the past for future performance. Until not very long ago, production was able to expand, in spite of all kinds of trials and errors in organisation and technique, because more and more capacity and more and more workers were being brought in to swell the total. Now, there is no more slack. The only way to raise output appreciably is to overcome the trials and root out the errors. Efficiency has replaced expansion as the need. Nowhere is this truer than in the manufacture of aircraft—which, as Mr Churchill has put it, lies "at the

heart" of the war effort. The aircraft industry has grown more than twentyfold since the war began. It is now unmistakably this country's largest industry, a remarkable fact. It would be a miracle if it had swollen to its present size without a multitude of loose ends, ragged edges and wasteful and inefficient practices. The job of Sir Stafford Cripps, with Mr Lyttelton, is to see that waste and inefficiency, the industry's still considerable growing pains, are cured. This was the burden of Sir Stafford Cripps's broadcast last weekend. He made it very plain that absenteeism or irregularity on the part of aircraft workers and inefficiency on the part of managements—or administrators—are crimes against the fighting Forces in the year of greatest ordeal which lies ahead.

In one instance, the new Minister of Aircraft Production has suited deeds to words. At a large aircraft works he has put in a manager, after complaints from the workers—and presumably from other quarters. It is an astonishing thing that action of this kind has not been taken much more frequently, not only in the aircraft industry but elsewhere in war production. The Government has had these powers for a long time. When Mr Lyttelton was appointed, for instance, it was plain that possibly the most important of all his tasks was to insist upon the highest possible standard of management throughout the whole range of war manufacture. It remains a weakness of the war effort that efficient management is still not regarded as a national pool to be distributed to the places where efficiency is most needed. Whatever may be the facts regarding the case in which Sir Stafford Cripps has actually intervened, his intervention should be regarded as a precedent—and as a portent of the drive for efficiency, in both the management and engineering senses, which is above all needed in the next months. Labour efficiency is no less important: and Sir Stafford Cripps was very outspoken on this. But this is not only a matter for aircraft workers and managers, and for officials of the Ministry of Aircraft Production. It is a problem for the entire nation. The needs of the long hard final lap of the war require that every man and every woman, wherever their work may be set, in war jobs or in essential civilian employment, should work harder, more efficiently, more regularly and more earnestly than ever before. Sir Stafford Cripps's words apply to every member of the population; the one simple way in which every civilian, including every civil servant and every politician, can meet his or her debt to the fighting men is to make 1943 above all a year of sweat and toil.

The Open Sky

It is natural that alarm should be felt in this country over the future of British civil aviation. Not only has the wartime diversion of labour resulted in the manufacture of almost all transport aircraft in the United States; Pan-American Airways, though now militarised as part of the United States Army Air Corps, has also obtained through the war virtually a monopoly of air routes—in particular, it has been operating the African route, the West African-Egyptian section of which was originally opened up by Imperial Airways. Replying for the Government in last week's debate in the House of Commons, Captain Balfour stated that it has been agreed with the US Government that any rights over routes acquired by the Americans for military purposes are only for the duration. On the other hand, since Britain, which cannot now spare the designers and factories for transport aircraft, will have a lot of leeway to make up after the war, there is a grave danger that the exclusion of the United States from British spheres of influence will mean that the Empire air routes will be inadequately operated. If, therefore, the pre-war delusion of "closed skies," from which air lines of countries with different skies were excluded, is to be modified by international agreement, allocating large spheres—such as the Pacific sphere, the African sphere, the Atlantic sphere—to the air-lines of one or more countries predominantly, there will be a great responsibility on the British Government to see that British civil aviation is efficient. Before the war the British civil aviation companies could not compete with Pan-American Airways. If there is to be no competition—which is surely taking far too much for granted—but an agreed monopoly on certain routes, the danger of inefficiency is greater than ever, and there are consequently

strong reasons for placing civil aviation in a department of its own, perhaps linked with departments for shipping, railways and roads under a non-departmental Cabinet Minister of Transport.

The Future of Milk

It is earnestly to be hoped that some of the many people who are working like beavers on reconstruction plans are busy on the problem of milk. It is a matter of common agreement that more and cheaper milk should be a first charge of productive and distributive ingenuity after the war. The urgency of the need, reinforced by the extraordinary and grotesque intricacy of the Heath Robinson schemes which have been worked out to fix prices and margins ever since the Milk Marketing Board scheme was instituted nearly ten years ago, is strengthened by the fact that, inside this elaborate framework of pricing, costing and compensation, the perennial battle between producers and distributors goes on, even in wartime. The forgotten man is the consumer. Since October 1st, a new wartime scheme for milk distribution has been in force under the direct administration of the Ministry of Food. A number of milk producers, under the auspices of the National Farmers' Union, have voiced their displeasure with the new distributive price structure. Roughly, the position is this. The Ministry buys all the milk and provides retailers with whatever quantities they require at a flat price. To do this, wholesale charges over the entire country are pooled; and there is an elaborate system of refunds and rebates to cover the different distributive costs of differently sized undertakings. The complaint of the producers is that they no longer get the premiums they used to get for attaining accredited quality standards and for levelling out supplies and deliveries; in Surrey, for instance, over half the milk producers previously earned premiums; and now they contend that their costs of production are not covered by the prices allowed them. What happens now is that large distributors, that is, those distributing more than 1,500 gallons a day, receive a refund from the pool to cover the cost of their wholesale organisation and overheads in the shape of premises, storage tanks and refrigeration. Small firms, those distributing under 750 gallons a day, do not receive a refund, on the ground that the wholesaling, that is, the balancing of their supplies from day to day, is done for them by the Ministry under the new scheme. Medium sized firms, that is, those distributing between 750 and 1,500 gallons a day, receive a partial refund, and for the rest it is assumed that the Ministry balances their supplies for them.

It is very difficult indeed to know what are the rights and what the wrongs of such a complex system. Nobody outside the trade, and not all those inside it, can understand what goes on. Whether or not it is true, as has been alleged, that "premiums have been taken away from producers and handed out to the larger combines in a silver dish" is quite unknown. But this much is certain. The most necessary step, now as in the years before the war, is to carry through to the end the detailed investigation into

INSURE WITH



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producing and distributing costs which has been promised. This farrago of premiums, margins and rebates may or may not be necessary. It certainly confuses the issue and presents under wartime control precisely the same picture as it did under peacetime control—producers and distributors wrangling over their share of the spoils, while the supply of the greatest possible quantity of milk at the lowest possible price, which alone could justify this massive apparatus of control, apparently remains right out of sight. The comment which Lord Astor and Mr Rowntree once made on the Milk Marketing Boards, that “they have not attempted to expand consumption by reduction of price,” still remains valid, so far as any layman can see; and this is the state of affairs which must be ruthlessly got rid of when the war is over.

War Workers and Seamen

One of Mr Bevin's first actions when he became Minister of Labour was to create a department to develop welfare facilities outside the factories and, in particular, to establish a board to look after seamen's welfare in ports. The welfare department has had formidable problems to deal with, problems which have increased with the expansion of war production and the mobilisation of women workers. The transfer of workers; the setting up and management of hostels; lodging and billeting; domestic and shopping arrangements; the care of children; recreation; holidays; and workers' entertainment—all these come within its province. Unfortunately, the report of its activities during the period from August, 1941, to August, 1942, does not give a very clear picture of what has been done, or how. The number of local welfare officers, 100, seems small in relation to the magnitude of the task. The importance of such factors as accommodation, domestic arrangements and transport, their direct relation to absenteeism (which has been repeatedly stressed by the Commons' Select Committee), and the fact that many of the problems involved are human and individual, make it essential that the activities of this department should be developed as much as possible. The second part of the report is concerned with seamen's welfare in port. Until October, 1940, arrangements were left almost entirely to private societies and the religious missions, which were not always able to make the best sort of provision for seamen who, in any case, resent any element of charity. The board, working in conjunction with the voluntary organisations, has provided hostels, recreation centres and clubs for British and Allied merchant seamen in the principal ports; it has made arrangements for their medical treatment; and has advised on the welfare of British crews in overseas ports. The record is satisfactory, but there is still room for the expansion of its activities. It is certain that no effort should be spared to provide the men of the merchant navies with the highest possible standard of accommodation and recreation when on shore. For this reason, the recent decision of the Maritime Board to increase rates of pay for British officers and seamen will be generally welcomed; and it is to be hoped that radio officers, whose case is still under consideration, will also benefit from the new increases.

Shop Assistants

It is well over a year since Mr Bevin announced that shop-girls, aged 20-25, would be called up. Since then the National Service (No. 2) Act of 1941 has enabled him to add the conscription of all single women between 20 and 30 to his already existing power of directing all women up to the age of 45 into nationally important work; and women up to that age had in fact registered by October 5th of this year. Moreover, it was announced last September that there was to be a thorough overhaul of the registers of men and women. Thus, Mr Bevin's latest announcement, made in Parliament on December 17th, that all women up to 35 years of age will be withdrawn from the retail trades—other than food and coal—and all women up to 45 in a large number of the less essential sections of retail trade, had rather a hollow sound. Why, it may be asked, have the retail trades been allowed to retain women of these ages, especially the under 35's, for so long? It is possible that a great number have already been called up and that this latest announcement only affects the rump,

but the wording is not encouraging. If conscription and direction had already been properly applied to the retail trade, it would now, on the analogy of the withdrawal of young men from industry, merely have been a question of cancelling deferments; as it is, Mr Bevin stated that a maximum deferment of six months would be granted in cases where withdrawal would result in the closing down of the business or branch of the business, and that an employee could plead exceptional hardship, including hardship to her employer. In other words, in accordance with the exclusive tenderness with which the retail trades generally have been regarded by the Government, the Ministry of Labour has hitherto left their labour supply virtually untouched, so far as the women over 25 are concerned. Even now, it is worth noting, the sections which are to lose their female assistants up to the age of 45 do not include the trades engaged in distributing clothing, pottery and hollow-ware. Since, as was announced last week, small retailers in these trades are to be guaranteed a minimum percentage of supplies, they must, presumably, be allowed a minimum supply of labour to sell them. Thus has Mr Bevin's aim of mobilising every available man and woman for the great offensive been modified to fit in with Mr Dalton's apparent desire to keep as many shopkeepers in business as possible, however wasteful such a policy may prove to be.

Jockeying for Position

The agreement reached between General Jordana, the Spanish Foreign Minister, and Dr Salazar about the creation of an Iberian bloc is probably no more and no less than what it purports to be—the reaffirmation of their determination to remain neutral and to collaborate in their common interests for European reconstruction after the war. Particular emphasis has been laid on reconstruction. General Jordana declared that

the Iberian bloc creates in the world a new entity capable of playing its part in international policy in a manner highly efficacious as an instrument of peace.

And the Portuguese Prime Minister, after stressing the moral and political ties between the two nations, referred to the valuable political services which the Peninsula could render to peaceful countries after the war. The chief motive behind this move is probably General Franco's desire to take out an insurance policy, as it were, and to strengthen his own bargaining position by cementing the bonds of friendship with Britain's oldest Ally. Spain and Portugal, he recently declared, will “march forward united like brothers.” The Caudillo's paramount interest is to maintain the stability of his regime; and, with the weakening of Axis prestige throughout the Continent and the encouragement of hints of economic assistance after the war recently thrown out by President Roosevelt and Mr Churchill, he seems to be turning somewhat towards the Allies in search of the main chance. But it would be foolish to forget that, less than three weeks ago, General Franco sent a message to Hitler wishing him a speedy victory over the forces of Bolshevism, and the “ten commandments” issued to all good Falangists include such precepts as “Hate England and pity the English”—“Think daily of Gibraltar.” General Franco is plainly hoping to have the best of both worlds. Just as he aims at a compromise in internal politics between the Falange and the Requete by playing with the idea of a Monarchy based on the National Revolution, so in international politics he hopes to be able to strike a similar balance until the future outlook becomes clearer.

Local Advance

With the Allied occupation of Maungdaw, the Burmese coastal town close to the Indian frontier, General Wavell's operations have entered a new phase. Since the end of the monsoon, the active patrolling of the past months has given way to a definite move forward along the coast. The aim is undoubtedly the occupation of Akyab and control of its valuable air field. That the Japanese take the new development seriously is shown by their recent raids on Calcutta and Chittagong; and they have withdrawn before General Wavell's advance. The operation is only the distant prologue to the reconquest of Burma, and the reopening of the

Burma Road. Akyab and the coastal strip are separated from the heart of Burma by a considerable mountain range. At least one spear-head of any major attack must advance along the route by which General Alexander retreated last spring, that is, down the valley of the Chindwin, while Rangoon itself can only be immediately threatened by the power which has full control of the eastern end of the Indian Ocean. There are reports that the Chinese, who have been fighting successfully in the Yunnan province in the past few weeks, may also be preparing to take the offensive in the direction of Lashio. These are the moves which will be necessary to restart the Battle of Burma on a major scale; but it cannot be assumed that they will follow directly from the present infiltration. Meanwhile, the Japanese are said to have been reinforced by some two and a-half divisions under the command of General Teruuchi; and, if necessary, additional forces will doubtless be withdrawn from Siam and Indo-China. The history of the Papuan campaign suggests that, after a strategic withdrawal, the enemy will display a desperate capacity for defensive fighting. The attitude of the Burmese, who are to some extent being armed by the Japanese, remains obscure; but it may well cause the enemy more anxiety than it does General Wavell.

Storm Ahead

Mr Bevin's proposal to regulate wages and conditions in the catering trade is going to be one of the most keenly contested measures before Parliament in the New Year. The Labour Party will support the Bill; but an influential section of the Conservative party is already mobilising its forces in opposition. A small committee under the chairmanship of Sir Douglas Hacking, MP, was formed to consider the proposals, and is understood to have reported to the Joint Government Chief Whip an estimate of the strength of the opposition. The estimate is a formidable one. Out of 451 private members, regarded as free to express an opinion, no less than 191 or 42 per cent—all but five are Conservatives—are said to have supported in writing a demand for a “public and impartial inquiry” before any legislation is introduced. These 191 MPs include a number who have direct interests in catering establishments—Sir Douglas Hacking is himself a former vice-president of the Hotels and Restaurants Association which is responsible for organising the opposition—as well as prominent members of the 1922 Committee who succeeded in torpedoing the Beveridge fuel rationing plan. Their argument is that the proposed Bill will not be in keeping with Sir Stafford Cripps' assurance that no legislation of a character “likely to arouse serious controversy between political parties” should be introduced during the war. Mr Bevin, however, is believed to be determined to proceed with the Bill. Indeed, it is difficult to see by what stretch of the imagination a measure for the improvement of conditions in the catering trades—not in itself a very revolutionary proposal—can be regarded as disrupting national unity. To demand a public inquiry is merely to shelve the issue.

Murder

It was a spontaneous wave of feeling that moved the Commons to rise and stand in silence on Wednesday last week in protest against the German attempt to exterminate European Jewry. Members, like most people, have become case-hardened to stories of brutality in recent years. But the text of the United Nations' declaration, read by Mr Eden, was a shock. The policy of extermination that is actually being carried out on an immense scale by means of mass execution, exposure and starvation is the climax of totalitarian horror. It is fitting that it is this news which has brought home the barbaric truth about the administration of Nazi Europe. It was the persecution of the Jewish people in Germany, and the propagation of racial doctrine, which, as early as the spring of 1933, made plain the real division between Nazidom and human decency. The denial of elementary rights because of the accident of birth was the first and most telling crime that stamped and defined the Nazi Government. Little can now be done to save the tortured victims of the Gestapo. In this, as in every other matter, the first consideration is to end oppression by winning the war. No form or degree of frightfulness can be allowed to blackmail the United Nations into action which might hamper the war's speedier end. But it is well

that the Germans and their satellites, at every level of responsibility, should be informed by every channel that unflinching justice will eventually be done. As Mr Lipson rightly pointed out in the House, the acts which have been brought to the notice of the United Nations are not acts of war but of murder. There is another duty which the free peoples owe the Jews: the determination to see that, when the war is won, they are everywhere freely accorded equality of status and friendly recognition.

Beveridge Banned

The Army Bureau of Current Affairs was set up in order to provide opportunities for soldiers to discuss the problems in which they as citizens of a democratic country will have an important stake when the war is over. The scheme recognises that this is a citizen army, and is designed to prevent its members from losing their sense of citizenship while soldiering. The scheme has grown and expanded. This winter there is a special programme in a wide range of “citizenship” subjects. Automatically, when the Beveridge Report appeared, a pamphlet was prepared, by Sir William himself, to furnish the troops with the material for discussing a set of proposals which comes closer than most to the immediate problems of their life and livelihood when they become civilians again. Then an extraordinary thing occurred. It seems that, horrorstruck, someone in authority realised that the issue of this pamphlet and its discussion in units up and down the country would mean that serving men might make up their minds about the Beveridge Plan before the Government had made up its mind. So the pamphlet, it is announced, has been banned—or, rather, held up; the discussions presumably are not to be held, even though soldiers everywhere (especially, according to Mr Casey, in the Middle East) have shown tremendous interest in the Report. Obviously, unless an Army order is simultaneously made that no soldier must discuss the Beveridge Report on pain of detention or court martial, the discussion will in fact go on wherever serving men talk—informally instead of formally, and uninstructed instead of instructed. All that has happened is that, for some fantastic reason of prestige or precedence, the troops have been deprived of a first-rate summary and explanation of a subject which they are already talking about widely—and emphatically. Some day, perhaps, the powers-that-be will realise that reconstruction is not the preserve of high-placed, pompous and opinionated civilians; indeed, that it is rather the special concern above all of the men who are serving in the Forces. A simple definition of reconstruction, and a true one, would be a policy and programme which will provide the men when they come home with a decent home and a decent job; that is what most of them are fighting for.

Shorter Notes

In the House of Commons last week, Mr Eden made a declaration of the Allies' anxiety to see freedom and independence restored to Albania. This statement has been specifically endorsed by the Greek Government. Italy's earlier victim of aggression—Abyssinia—has, in the meantime, declared war on the Axis.

The Turkish Government has shown considerable understanding in refraining from pressing for deliveries of war material which Great Britain agreed to supply under the Treaty of Alliance of 1939. The recent deliveries of tanks are a welcome indication of the improvement in the Allied supply position. Future consignments should benefit from the improvement in Middle Eastern rail communications, and in particular from the recent opening of the Haifa-Beirut-Tripolis line.

A party of British economic experts, under the leadership of Mr R. Herbert of the raw materials department of the Ministry of Supply, has gone to French North Africa. It will work in collaboration with American experts and to begin with will devote special attention to the supply of iron ore and phosphates.

AMERICAN SURVEY

The Flow of Resources

(From an Industrial Correspondent)

Cleveland, October 17th.

THE central problem in the manufacture of war equipment remains that of the dispatching of materials, and apparently little progress has yet been made in removing the large number of obstacles to their free flow. The industrial worry which overshadows all others is the supply of materials.

In Detroit, where manufacturers have generally been more impatient with Government procedure than in Cleveland, a number of concerns have had to cut back their operations considerably. The contrast with Cleveland, where lay-offs have been very small, may be due in part to the well-known position of Detroit as the end point in the movement of materials. Steel mills in Cleveland, for example, have been able to run almost at 100 per cent of capacity without interruption. The fabricating plants depending on them have been doing almost as well. Their customers in Detroit, however, complain of being whipsawed by delays and an inability to schedule their production confidently.

This is oversimplifying the story, of course; but it illustrates the fact that the main chokepoints in American industry remain on the materials end of the processes and that the War Production Board in Washington has been unable to control the dispatching of these inadequate materials in a manner which would permit the makers of finished products to run smoothly. Another and fourth attempt is now being made in Washington to devise a system to manage the flow. The first method, one of simple priorities, bogged down in office detail, and was corrected by reorganisation of the staff. The second, also of priorities, led to a considerable inflation of preference ratings (as described in *The Economist* on July 18th). The top brackets for steel, for example, required more steel than can be produced. The third system, intended to take the place of priorities, was the Production Requirements Plan with its end-use allocations. Manufacturers were required (and still are) to make quarterly applications for materials; and these applications, linked up into long chains, would provide a picture of the entire circulation of materials. A large "kitty" or pool was designed to provide reserves of certain things, but this pool could never be filled. The paper work involved in the applications became so huge on both the Government and industrial sides that, before the plan was fully installed, the announcement was made that a new system would be put into effect by early next year. Not only are the allocations still being made, but the old priorities system is retained for many purposes; and both, it is expected, will continue to be employed in some degree next year.

Detroit complains that the PRP system itself led to the same old fault, the awarding of more authorisations to buy than there was material available. The form of the new system is not yet fully worked out. Steel manufacturers favour one plan, and former automobile manufacturers, meaning the Detroit district, favour another. The steel men want manufacturers to go to the War Production Board for allocation certificates. The alternative plan, credited to Ernest Kanzler, a Detroit man sent to Washington to become deputy-director of WPB, would work from the other direction—manufacturers being told how many of each item they could produce (the Government agencies having in mind the materials available), and then being allowed to do their own ordering.

The main element of difficulty seems to be the time Washington takes to make decisions required for movement of materials. The quantities of these are always changing, armament is being redesigned, and the Army and Navy are continually revising their requirements. Against this background, the machinery of decision in the WPB does not

revolve rapidly enough, particularly in view of the time it takes the materials themselves to move from plant to plant. The volume of decision is so huge that nobody seems able to devise an office and executive procedure which will accurately and coincidentally parallel the physical side of the industrial process. Washington and industry cannot make their clocks run together. Though the Army, Navy, Maritime Commission and WPB gain by experience, the volume and complexity of needs seem to grow faster.

Restricting Consumers

In order to increase and smooth the flow of the essentials, their civilian users of materials continue to be cut back. The process of reducing the consumers' drain is now running probably more swiftly than it ever did at a single time in England, even though it will probably not go so deep for another year. Shortages of labour have yet to be corrected, though the recent determination to control manpower is aimed to do so. To shorten the hauls of materials, and thus reduce their time in transit, industries are being allocated to nearer sources, and civilian trades are about to have their market areas reduced. Output of some war goods is being curtailed where manufacturers have run beyond their schedules.

The volume of complaints of shortage, arising as it does chiefly at the finishing end of industry, is continuing evidence of the discovery made last spring that manufacturing facilities in general had been built beyond the capacity of the mills to supply them. The persistence of erratic delivery, however, combined with an actual slowing down in the rate of production increase, is evidence either of the inability of the Government to handle a dispatching system so vast, or of a temporary overloading of many inventories at the expense of others, or of estimates too optimistic in the first place.

Cleveland, November 14th

To maintain balance both in the labour force of industry and in the flow of materials will jointly engage all the ingenuities of Government and individual manufacturers throughout 1943. In the central industrial region, these problems are now paramount and promise to remain so. Such questions as markets, profits and taxation have either disappeared or receded into the background.

To a great extent, perplexities over the supplies of manpower and materials key into one another, although in the individual establishment they naturally seem to be separate. They also head up separately into the Washington organisations. Shortages of materials at the plant appear largely to be the result either of shortages of workmen farther back in the industrial process, or of miscalculation on the part of manufacturers or the procurement agencies of the Government.

To correct the discrepancies, similar means are being employed, these consisting in general of time-and-quantity schedules. On the materials side, the schedules compose what is known as the Controlled Materials Plan, representing the fourth great effort on the part of the War Production Board or its predecessors to master the direction of materials movement. On the human or personnel side, the schedules will be made up of "manning tables," which all manufacturers will be expected to compile. These will show the numbers of men employed or to be required, together with the degrees of essentiality of the men currently in the working force.

Industrial executives have expressed some scepticism about whether a centralised office in Washington will be able to handle the vast statistical work involved in both

these gigantic programmes. President C. E. Wilson, of General Motors, said this week that, if the operation of the materials plan is too highly centralised, "the files will get so thick they won't be workable." The major end-product contractors will have most of the compiling of bills of materials to do; and it is suspected by *Business Week* that this operation will necessarily link up the suppliers into long trains or closely-knit aggregations of firms "clumped vertically around the big companies doing the final assembly operations."

Manpower Problem

On the manpower side, the problem is much more neatly set up. Between now and the end of 1943, more than 7,000,000 jobs are expected to have to be filled. These consist of 3,000,000 in which men yet to be drafted into the Forces must be replaced, and of 4,000,000 new jobs. Of the latter, 1,000,000 are expected to be filled from the normal population growth, another 1,000,000 from persons coming into industry from non-essential undertakings, and the remainder from groups not now employed in industry, chiefly women.

The need for and the availability of these new workers differs greatly between one industrial centre and another. Small and middle-sized cities whose factories have Government contracts report the greatest difficulties in getting or keeping labour. These troubles are increased in such communities as Akron by an extreme scarcity of housing.

The working week in Cleveland is slightly less than 46 hours in manufacturing industry, though if only those employers holding Government contracts were considered it would probably be the 47 or 48 hours which President Roosevelt says is the national average for armament industries. By Federal law, industries pay "time and one-half," or 50 per cent extra, for the hours which exceed 40 in the week, and plants running 48 hours pay for 52.

An effort is now being made in Congress (against Mr Roosevelt's opposition) to extend to 48 hours the point at which overtime premiums must be paid. This movement is supported by many employers, who say it is impossible for them to find and train enough new workers or their cities to house them. The extreme of this condition is Akron, where several thousand tyre workers are still employed only 36 hours. The Allison airplane engine plant in Indianapolis is expecting to increase its working week from 48 hours to 60, thus to pay for 70 hours weekly, because of its inability to find enough capable supervisors.

Farmers throughout the region complain that high wages and overtime premiums are depleting their labour supply, and that dairying in particular is suffering. Their products are now under price ceilings, and though prices rose rapidly just prior to the revision of the price law, this combination of labour shortage and ceiling prices no doubt accounted for some of the Republican gains in the recent Congressional election. The questions whether to accept a reduced production on the farm, or to permit prices there to rise once more, or whether on the other hand to restrict the movement of labour into the cities, make up a perplexing dilemma for legislation or executive order. The alternatives appear to be (a) civilian shortages, with rationing, or (b) higher prices, with labour complaint, (c) or longer hours of work, with labour resistance, or something of all three.

American Notes

For the Record

In his own phrase, Mr Willkie has been "smoked out." The basic statement of his views on the British Empire made public last week was provoked by the indignation aroused by rumours and reports of what he said at several "off the record" conferences in New York. This time, Mr Willkie's words are definitely, even emphatically, for the record; and if they genuinely represent his views, there is little danger of violent opposition, at least in Britain. That the post-war settlement should take account of the aspirations and responsibilities of China and Russia equally with those of the United States and Great Britain; that the pace of colonial progress should be dramatically speeded up; and that a just and equal settlement in the Near East, the Far East, and the Middle East is a prerequisite of lasting peace—these are themes with which there is a wide measure of enthusiastic agreement. In his statement, Mr Willkie made it clear that he is critical, not only of flaws in British colonial administration, but also of anachronisms

in American democracy, such as the poll tax and the position of the negro, and of American tariff policy. Although his stand on individual domestic issues has usually been well in advance of popular opinion, Mr Willkie has not always made it clear in the past—whether through oversight, or political prudence—that he was as much concerned with the failings of American policy and practice as with those of Britain. Even now he has not publicly recognised the fact that the maintenance of generous and equal collaboration with the Soviet Union after the war is certain to have a far stormier passage in his own country than in Britain. Nor is there any mention in his manifesto of the existence of the Anglo-Russian treaty, or of the record of British aid to the Soviet Union. The British misunderstanding which has incurred Mr Willkie's ire may in part be due to the thin skins of British correspondents or to the undoubtedly exaggerated importance which is now attached to his views. But Mr Willkie himself can hardly avoid the lion's share of the responsibility. He is, or should be, too experienced to imagine that the more picturesque expressions used in a series of semi-public conferences would be treated with that reserve accorded to military secrets. It would be foolish, however, despite the heated exchanges of recent months, to picture Mr Willkie as anything in the nature of anti-British. The really dangerous, because less frank, enemies are elsewhere; on the record of actions, if not of words, Mr Willkie has proved himself an ally of undisputed value and vigour.

* * *

Storm Signals

Mr Henderson's resignation, on account of ill-health, from the office of Price Administrator, coincides too neatly with the boiling up of resentment over rationing, and the advent of a new and more hostile Congress, to be taken altogether at its face value. For some time there have been signs that rationing and price control would develop into a first-class political issue. The ban on petrol sales in the eastern states over the week-end has brought to a head irritations which begin with the breakfast coffee, are inflamed by the scarcity of fuel, and occasionally continue to a meatless dinner and sugarless sweet. The sacrifice of Mr Henderson, a courageous and conscientious administrator, is not due entirely to the unpopularity generated by the thankless job of whittling down civilian consumption. Mr Henderson's tact, particularly in dealing with Congress, has never been notable. He is reported, for instance, to have said, with more valour than discretion, that oil would be shipped to North Africa even if it meant epidemic pneumonia along the East Coast this winter. Nor is it true that the rationing of coffee or petrol or fuel oil has been operated with simplicity and effectiveness. To have allowed petrol to be consumed at a rate which left no margin along the Atlantic Coast for emergency calls from North Africa is hardly a proof of prudence; and Mr Ickes was undoubtedly right when he alleged that petrol was being consumed in vast quantities for non-essential purposes. There have been other flaws. The complications of the fuel rationing scheme, which is designed to maintain a given temperature in every house under varying weather and building conditions, baffle description; and there can be no defence for the folly of announcing prospective rations days or even weeks before they are due to begin, which has been a characteristic of American rationing procedure. But these defects seem to be the excuse rather than the substance of an opposition which is apparently determined to exploit resistance to the unwelcome, but necessary, restrictions of war. It is hard to avoid the conclusion that Mr Henderson has gone, not so much because of his mistakes as because of his wholly admirable insistence on the need for cutting down the standard of living. At the Office of Civilian Supply, in the War Production Board, his place is taken by his deputy, Mr Joseph Weiner, who can be trusted to fight, to the best of his ability, for a continuation of the policy of restriction and the rationalisation of civilian supplies. At the Office of Price Administration Mr Henderson's successor, it is reported, may be Senator Prentiss Brown, whose eloquent attack on the farm bloc saved the Economic Stabilisation Bill last September, but cost him his seat in Congress. Senator Brown's appointment, like that of Justice Byrnes, would guarantee better relations with Congress for the domestic agencies of the Administration. The hatches are being tightened down; the hurricane season is at hand.

THE WORLD OVERSEAS

Eire and Beveridge

(From Our Dublin Correspondent)

December 14th

CONSIDERABLE interest has been roused in Eire by the Beveridge Report. The statement that the Social Security Plan would, if adopted, come into operation in Northern Ireland at the same time as in Great Britain has directed attention to the fact that the scale of benefits and of family allowances may be much higher north of the border than south. The possibility of attractions of this kind will lead to emigration on an even greater scale than in the past, unless some restrictive measures are taken either in Eire or in the United Kingdom. The willingness of workers who have already migrated to Great Britain to return to Eire after the end of the war will be seriously reduced by the prospect of forfeiting such substantial benefits. The solution of the acute political problem of partition will not be rendered any easier by the emergence of different standards of social and welfare services north and south of the border.

Prior to 1922, the social services in Great Britain and Ireland were for all practical purposes identical. The Childers Commission had in 1896 drawn attention to the over-taxation of Ireland under the Union. Partly with the object of remedying this injustice, the Liberal Government in the early years of the present century extended to Ireland all the new social services which it introduced into Great Britain. The old-age pensions, while naturally popular with the recipients, proved to be an exceptionally heavy burden in a country with a falling population. The Primrose Committee, which investigated the finances of the Home Rule Bill in 1912, pointed out that as the result of the old-age pensions the expenditure on Irish local services had come to exceed the revenue from Ireland. In other words, the old-age pensions had unbalanced the Irish Budget. Many critics of the last years of British administration in Ireland have blamed the British Government for saddling the poorer country with social services which it could ill afford.

Since the treaty, the social services in Great Britain and Ireland have to a large extent diverged. Many of the British services have either not been applied to Ireland or have been applied with lower rates of benefit. The system of poor relief has been drastically amended and improved. Schemes of unemployment insurance and assistance have been introduced and provision has been made for pensions for widows and orphans. The public health services, which in the last century were superior to those in Great Britain, have been brought up to date. Nevertheless, as might be expected in view of the relative poverty of Ireland, the scales of benefit in recent years have tended to lag behind British scales. The publication of the Beveridge Report brings out this contrast in clear perspective. Irish workers, it is to be feared, will cease to be content with their present rates of benefit.

The Government has been requested by some members of the Dail to prepare an estimate of the cost of applying the Beveridge scheme to Eire. It may be safely stated, pend-

ing the publication of this estimate, that any scheme at all approaching the Beveridge scheme will be impossible in Eire in the next twenty years. Sir William Beveridge assumes a steadily increasing national income in Great Britain. In view of the experience of recent years, no such assumption can be made in the case of Eire. In the years before the war, the national income obstinately failed to expand, and there is little reason to believe that it will expand materially in the post-war period. One part of the scheme which has attracted particular attention is the provision of family allowances on a very generous scale. Rumour has it that a modest scheme of family allowances will be brought into operation next year. It would not be surprising if the promise of such allowances were to form part of the Government's programme at the coming general election. Any scale of family allowances which is financially possible in Eire will necessarily appear meagre when compared with the Beveridge rates. There is a danger that the Labour Party may make a bid for support at the election by promising allowances on a scale approximating to the proposed British scale. It must be remembered that one of the justifications of family allowances in Great Britain is the effect it might have in raising the birth-rate. In Ireland, no such justification would exist, as the birth-rate, though falling, is still high, and many of the juvenile population are forced to emigrate to find employment. The sole justification for family allowances would therefore be the relief of poorer parents and the nourishment of children in poorer families. In view of this difference between British and Irish conditions, family allowances in Ireland might serve a useful purpose even if they were at a considerably lower scale than in Great Britain. Moreover, the imposition of a means test would be justified. These considerations will, however, weigh but little with the working classes in the electorate, who will behold with envious and greedy eyes the more fortunate lot of their fellows across the channel and across the border.

India's Price Problems

[FROM A CALCUTTA CORRESPONDENT]

THE problem of price control has become more intractable than ever. It was, if at all, obscured only by the political crisis in August. Since the beginning of the war, six Price Control Conferences—the latest being on September 7th—have met and achieved little beyond stressing the desirability of price control. Action was indeed taken in keeping down the prices of certain commodities. Petrol has been rationed, and the prices of newsprint, iron and steel, rubber, matches, medicines and kerosene have been fixed. But in the case of essential foodstuffs, serious difficulties have arisen. Even where supplies are known to be adequate to meet the normal demands of the country as a whole, shortage of transport interfered with distribution and led in many places to severe scarcity, abnormal prices and black markets. Rice, wheat, salt and kerosene have recently had to be given priority for movement by rail, and the general situation threatens to become even more dangerous than during the last war. The prices of rice and sugar, formerly imported from Burma and the Netherlands East Indies respectively, rose sharply with hostilities in the Far East. An attempt is being made to meet the danger of a rice shortage by a "grow more food" campaign. The change from the production of money crops—such as cotton, jute and oil seeds—to food crops may help to ease the situation considerably, but, until the results of the current agricultural season are assessed, little definite can be stated.

The efforts of the Central and Provincial Governments to fix and regulate prices appear to be successful only in

the case of state purchases, and have been, on the whole, an index of intentions rather than of achievements. The wholesale prices for all commodities (July, 1914=100) rose from 137 in June, 1941, to 182 in June, 1942, and again to 192 in August, 1942. The increase has been even greater for sugar, other food articles and metals, as may be seen from the following table:—

	(July, 1914=100)			
	Jan.	April	July	Aug.
Cereals	112	118	153	174
Pulses	127	120	151	166
Sugar	157	198	220	215
Tea	263	228	197	179
Other food articles	216	228	289	352
Oil seeds	108	104	162	167
Raw cotton	72	70	102	100
Metals	258	258	280	275
All commodities	153	157	182	192

At the beginning of the fourth year of India's war economy, the price control policy, if there is any, is still confused and amateurish. It betrays a conflict and competition of Central and Provincial objectives. That it has not been inspired as yet by economic foresight is clear from the fact that the price policy is still being tackled *in vacuo*. There is still no clearly formulated wages policy, and, curiously enough, the wage increases were initiated by the State itself by the grant of cost of living and other allowances, which have compelled a corresponding increase in the wage levels in industrial undertakings.

The question is being asked whether there is inflation in the country. Its existence was questioned by Sir James Taylor in his report on the Reserve Bank. Reviewing the facts and figures bearing on inflation—the course of prices, the extent of currency expansion, the increase in bank deposits, and the volume of bank clearings—he concluded that "although most of the recognisable elements of inflation are present, there is no evidence that inflation is present in the country in any serious form." The currency situation indeed indicates a prodigious expansion in the note circulation. From Rs. 189 crores on March 21, 1939, the volume of notes in circulation has gone up to Rs. 493 crores on September 25, 1942, an increase of 161 per cent, and there occurred a further increase of Rs. 83 crores during April-September. There is no comparison between these figures and those during the corresponding period of the last war.

The principal reserves against this large note issue consist of gold coin and bullion, standing at the constant figure of Rs. 44 crores, and sterling and rupee securities amounting to Rs. 330 crores and Rs. 102 crores respectively. The steady accumulation of sterling assets has by now come to be more than 66 per cent of the currency reserve against the note issue. Consequently, the policy of the repatriation of sterling assets is limited by the ability to increase the rupee securities in the reserve. Whether the money market can stand the present demands for financing Government requirements, and absorb the securities of the magnitude of the present figure of the sterling securities, is doubtful. But, from the point of view of the protection of the note issue, the experience of the last war will certainly not commend the wisdom of keeping a high proportion of the reserve in sterling securities.

The Sterling Assets

The Finance Member's recent visit to London appears to have led to the fructification of definite plans regarding the transfer of the sterling assets, and the recent announcement of an agreement between the British Government and the Government of India for the capitalisation of the railway annuities may be taken as an earnest of further measures. According to the agreement, the payment of the railway annuities, terminating between 1940 and 1958, and amounting to a total payment of £34,114,654, will be effected by a present payment of a capital sum of £30,054,250 to the British Government, which will arrange for the annual amounts being made available to the Government of India for payment to the annuitants. The contractual liability of the Government of India still continues, while another agency, His Majesty's Government, is introduced into the picture. The need for this can only be justified if the financial credit of the country were anything but what it is. A more satisfactory course would have been a forthright extinction of the liability by a capitalised payment to the annuitants themselves. If the present agreement suggests a new method of repatriation of the sterling debt, there are very definite drawbacks to it, not the least

being the effect on the currency and public criticism of such a policy.

The recent agreement and the payment of the 3½ per cent stock on January 5, 1942, will liquidate almost entirely the sterling portion of India's public debt. If the process is to continue, the next item will be the private capital of the company-managed railways. The policy of state management and the possession of sterling resources enabled during the current year the transfer of two more railways from company management. Notice has already been given for the acquisition during the current financial year of the Bengal and North Western and the Rohilkund and Kumaon Railways, which will leave only the Madras and Southern Mahratta, the South India, and the Bengal-Nagpur Railways company-managed. The sums involved in connection with the repayment of the private capital of these companies amount to less than £10 millions. The desire to reduce the sterling assets may lead to a transfer of these railways into state management in advance of the expiry dates of their contracts. But as the amount involved is too small to meet the demands of the situation, the only course seems to be to approach the vast fund of private investments in the country. It is exceedingly doubtful if this would offer an adequate solution as the conditions here are not analogous to those in the United States. British enterprise still forms the most organised section of Indian industry, and may not be easily replaced by national undertakings. A compromise may be found in a partial liquidation of sterling investments, which could without material loss be repatriated, leaving a substantial sum still in the form of sterling assets. Nationalisation of public utility undertakings, such as electricity, gas, coal mines, etc., may be facilitated through a repatriation of investments in these undertakings, and this will cause the least disturbance. It would be doubtful if the remaining industrial investments could be left unaffected. In formulating the policy, it is necessary to take into account the needs of post-war reconstruction, which will imply a large amount of sterling expenditure when the war is over, and the possession of sterling assets larger than required under pre-war conditions will enable it to be incurred without undue strain on India's currency system.



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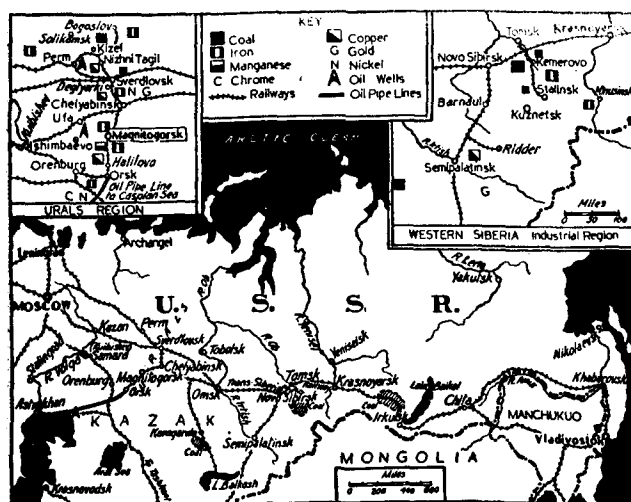
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Russia at War

The Eastern Railways

DURING the past year the main burden of Russia's wartime transport has fallen to the eastern railways, especially to those which connect the Kuznetsk Basin with the Urals. With the evacuation of western industries, during the second half of 1941 and later during the summer of 1942, the eastern railways had to cope with a task which was beyond their normal carrying capacity. Yet, in spite of this, rail transport in the east worked, and continues to work, very efficiently. From expert descriptions, based on personal observation, it seems that the work of the eastern railways has been much better than might have been inferred from the frequent complaints and criticisms published in the Soviet press.

The pivotal line for eastern traffic remains the Trans-Siberian with its double track, which was completed shortly before the war. The most important stretch of the Trans-Siberian is the one which connects Chelabinsk and Omsk with Novosibirsk. It is on this stretch that most of the two-way traffic in iron and coal between the Kuzbass and Magnitogorsk (and the heavy Urals engineering centres to the north of it) is carried. The line is in excellent condition. All the way from Chelabinsk to Novosibirsk, it is equipped



with a most modern electrical signal system which makes possible a very high frequency of traffic. The track has been built very solidly, much more so than on some other Russian lines.

Rolling Stock

The rolling stock is also of high quality. The typical goods truck used is a big, eight-wheeled wagon with a carrying capacity of 50-60 tons. Most of the trucks are equipped with automatic devices for unloading coal and iron. Automatic coupling has also been introduced. Trucks of the older type are now only seen on railroads of minor importance. Similarly, the locomotives are up to date and efficient, and their very great pulling power makes up for their relatively small number. The Feliks Dzershinsky type used in goods traffic is said to be more powerful than similar large-sized American locomotives; its pulling power is 6,000 tons. On the Southern Asiatic lines there are locomotives running on super-heated steam, which enables them to cover a distance of a thousand kilometres without taking on water, an important advantage in the southern deserts.

The main railways, even the single track ones, have been equipped during recent years with very large marshalling yards and repair shops at the big junctions. The scarcity of track has been made good, at least partly, by the increase in rolling stock secured by the evacuation of the western railways. Trucks shifted from the Ukraine, the Donetz

Basin and Eastern Poland can frequently be seen running on the Asiatic lines. Even a part of the rolling stock of the suburban Moscow network and a number of wagons from the Moscow Underground are reported to have been transferred to the east.

The weak point in the eastern traffic is its comparative slowness. The average speed is 40 kilometres per hour, but not more than 500-700 kilometres in 24 hours. Essential war traffic, however, which is given absolute priority, runs at the rate of 800 kilometres in 24 hours. The relatively low speed is due to the weakness of the hurriedly built track beds; sleepers have not infrequently been laid on bare sand, because of the shortage of more solid material.

The famous Turksib, the cotton railway built during the first Five-Year Plan, which connects Tashkent with Semipalatinsk and Novosibirsk, is still a single track line. The same is also true of the Tashkent-Chikalov line, which has some importance for the carrying of Allied supplies from Iran and Iraq to the Urals and beyond. A double track is being laid on the line which connects Tashkent with Krasnovodsk on the south-eastern shore of the Caspian Sea.

New Routes

A number of new extensions were also started immediately before and after Russia's entry in the war. One of them is an important line connecting the lower reaches of the Pechora on the shores of the Barents Sea with Kotlas on the Dvina. This railway, built under extremely difficult conditions on the marshes and taigas of the far north, ought by now to be nearing completion or even completed; its importance is that it provides a new northern route for supplies, besides the Murmansk and Archangel routes; and it lies far beyond the reach of the Luftwaffe. Kotlas, the southern terminus of the line, is a newly-built, big and modern harbour on the Dvina, with a good connection to the central Russian rail network. Another economically important line is the Akmolinsk-Kartala single track railway, put into operation at the end of 1941; this line carries coal from the new Karaganda basin to the Urals—its importance is explained by the fact that the distance between Karaganda and Magnitogorsk is less than half of that between the Kuzbass and Magnitogorsk.

Necessary Journeys

The anxiety of the Government to shorten the distances over which coal has to be carried in the east has been the dominant factor in the expansion of the eastern railways. It is over a thousand miles from the Urals to the Kuznetsk. Iron ore and coal account for about three-quarters of the whole goods traffic; the carrying capacity left free for the transport of finished products is hardly adequate.

Passenger traffic has been cut drastically. Only one or two passenger trains run daily on the main lines. Civilians can obtain tickets only by producing special travel permits. The question, "Is your journey really necessary?" is not left to the discretion of the citizen; it is decided by the authorities. Last winter, even travel permits were not enough. Special medical certificates were needed in addition. This was meant to prevent the spread of epidemic diseases. Each train had a sanitary compartment; and during the long Trans-Siberian journeys the medical staff, attached to every train, kept a sharp watch over the health of the passengers. Hygienic conditions on the eastern trains are said to have been satisfactory.

In spite of many difficulties, the transport of vital war materials has, on the whole, been tackled very effectively. The work of the Siberian railwaymen, strenuous as it has been, has been notable; and the Government has taken much care to improve their living conditions. The railwaymen belong to the best-paid category of Soviet workers; their wages, which even before the war were much above the average, have been considerably increased during the war. Special care has also been taken, during the years of industrial expansion, for their housing. Large and modern residential quarters have been built for railway staffs near every important station along the eastern routes.

THE BUSINESS WORLD

Coinage in Wartime

(By a Correspondent)

CHRISTMAS demands for currency, on top of the steady wartime rise, are sending up the note circulation by leaps and bounds. Last week, the rise was nearly £19 millions, bringing the total to £908 millions—about £400 millions more than before the outbreak of war—and the Christmas week figure, which was not available at the time of going to press, is almost certain to be higher still.

The big demand for currency, however, has affected the coinage circulation, too, and it was announced last week that American silver would be available to Britain, on lend-lease terms, for coinage purposes. The increased demand for coins has been nothing approaching that for notes; nevertheless, the Royal Mint has had to work double shifts to supply the required amounts. Fortunately, in this war the coinage situation is better than in 1914-18. There has, first of all, been none of the upheaval of withdrawing a gold coinage and issuing notes in its stead. Moreover, for some years before 1939, the Mint's output had been greatly increased to provide additional coin because of high industrial activity. In the five years before 1939, the quantity of silver coin in the country had increased by over £7,000,000, and bronze by £2,000,000. Since the beginning of 1939, the coinage has increased by a further £20,000,000, and there is now in circulation more coin than ever before—even more than in the early 1920's, when prices touched their post-war peak.

In spite of this, during the past year complaints have been heard from various parts of the country of a shortage of coins, particularly of small silver and of pennies. The official view seems to be that there is no shortage and that the problem is purely one of distribution. It is true that no pennies at all have been struck since June, 1940, but it is felt that the 3,000,000,000 bronze coins already in circulation should be sufficient for all needs. This seems reasonable, since the number allows over 60 coppers for each man, woman and child in the country. Moreover, very many millions of pennies, formerly locked up in automatic machines and in use at "fun" fairs in holiday resorts, have now been liberated for general service. But, against this, large sums of money are immobilised in the tills of the countless canteens which are now open, day and night, throughout the country. Many of these, fearing a shortage of change, keep more till money than is necessary, and even some banks have tended to hoard their supplies of change.

The 1941 figures of the Royal Mint showed some interesting changes. For a long time, the most popular silver coin has been the sixpence, closely followed by the shilling. The circulation of these two coins had increased enormously, owing to the great extension of coin-operated meters and automatic machines, and to the growth of the 6d. and 3d. stores. During the war, however, the demand for them has not grown so much as for other silver coins, and, for the first time for many years, the florin headed the list with an issue of 24,451,079. The florin is a handy coin in paying the fighting Services, and it is said to be particularly popular in RAF stations.

Perhaps the most striking feature of last year's coinage was the very large issue of the new yellow twelve-sided

3d. piece—60,239,489, against 12,636,018 in 1940. This increase was largely due to the fact that no pennies at all were struck, and the public therefore had little choice. It was not, however, entirely Hobson's choice, for there are now signs that the public, which is always conservative in matters of coinage, is at last overcoming its prejudice against this monetary newcomer. It is only five years since this coin was introduced. The silver threepenny bit is an old coin, but when its issue was revived for general circulation in 1845 it did not win immediate approval, and it was ten years before it was generally accepted. The florin took over twenty years to establish itself, so that the yellow threepenny bit is still in its early days.

The great advantages of this coin are that it uses only about one-fourth of the metal required to make three pennies. It is, therefore, economical to manufacture, and much easier to transport than an equivalent value of bronze coin. It is, incidentally, a source of great profit to the Mint. Its alloy is cheap, and the metal required to manufacture the 1941 issue of £752,994 probably cost about £25,000—leaving a gross profit of over £700,000. Although these coins are commonly called "nickel," the alloy contains only 1 per cent of nickel; the rest is copper and zinc, that is, brass.

The arguments in favour of the new threepenny bit seem to have affected sympathetically the demand for the small silver threepenny bit. In 1941, 7,979,411 of these were minted—the highest figure for twenty years. These coins circulate freely in Scotland; they are unpopular in London, and in England generally they seem to be found in "pockets"; one locality will be always well supplied with them, while another is always short.

The issue of halfpennies and farthings in 1941 constituted in each case a new high record in the history of the Mint. The demand for halfpennies was no doubt stimulated by the introduction in London and elsewhere of the minimum 1½d fare on public transport vehicles, while both halfpennies and farthings have figured more prominently in the prices of many articles owing to the operation of the Purchase Tax and in the price-fixing of certain rationed goods.

Although the Mint has increased the output of these two coins, it has kept their issue well under control. Otherwise, there would have been little purpose in suspending the issue of pennies in 1940 to save copper. The weight of the halfpennies and farthings issued in 1941 was only some 330 tons, whereas in 1938, when large quantities of pennies were struck, the weight of the bronze coin issued exceeded 1,400 tons. The Mint estimated that by striking the new threepenny bits instead of pennies it would save 800 tons of copper annually.

No five-shilling pieces were struck in 1941. This dignified coin is more popular in the collector's cabinet than in the public's pocket. Its issue ceased in 1902, and it was not included in the new King George V coinage in 1911. It was generally assumed that the crown had met the same fate as its near relative the four-shilling piece—a coin first introduced in the Jubilee coinage of 1887 and discontinued, unmourned, in 1890. In 1927, however, largely to please collectors, the crown was restored, and limited issues were made thereafter of about 4,000 a year. In

1935, the Jubilee Crown was struck, and this so fired the public imagination that 698,224 were issued. In 1937, the Coronation year, there was a similar demand for the new crown of King George VI, of which 404,729 were issued. In these two years alone over a million crowns were thus

struck—enough to meet normal demands for two hundred and fifty years. Most of these have been returned unwanted to the banks, and, while such great stocks remain, further mintings of the five-shilling piece are unlikely.

Finance and Banking

Heavy TDR Payments

There has been no relief for the banks this week in the burden of their Treasury deposit receipt payments. The amount of new money required of them through this channel has been reduced from £80 millions to £65 millions, but as current maturities have fallen even more steeply—namely, from £60 millions to £40 millions, and as pre-encashments have been on about the same modest scale, both in respect of this and last week's maturities, the net TDR total paid by the banks has risen by £5,000,000. In view of this fact, of the approaching end of the year, and of the abnormally large encroachments made on bank cash by withdrawals of currency, the banks have continued to avoid purchases of bills from the market. The market, for its part, obtained the larger allotment of 39 per cent at last week's tender for Treasury bills and has thus been called upon to take up a considerable amount of new bills. Fortunately the banks have been ready lenders of money, though reluctant buyers of bills, and there has been little difficulty in financing the additional bill holdings. No special assistance from the Bank of England has yet been required, but it will no doubt be forthcoming on the required abundant scale before the turn of the year. It would be possible on this occasion to shift to the shoulders of the Treasury the bulk of the task of financing the market over the turn of the year. The Treasury bill maturities in the final week of the year are concentrated during December, while it would be theoretically possible to concentrate the whole of the payment for that week's new bills on Saturday morning, January 2nd. The authorities are, however, unlikely to tolerate any jockeying of the kind by the discount market syndicate, and the applications for Treasury bills from that quarter will probably have to be spread with greater evenness over the week.

South Africa's Debt Repatriation

The further repatriation of South African sterling securities announced at the end of last week (the details of the operation, as it affects the Stock Exchange, will be found in a note on page 805) almost exactly accounts for the creditor balance of payments of the Union over the past year. As usual, that balance, after meeting current commercial payments and such capital transactions as the continued repatriation of South African mining shares, has been allowed to accumulate in the form of gold held by the South African Reserve Bank. That institution has first pick of the newly mined South African gold, and the balance sold to the British Treasury is so calculated as to meet current requirements for overseas payments. According to the returns of the Reserve Bank of South Africa, the gold reserve has risen over the twelve months to November 6th last by £19 millions to £71 millions. These figures are expressed in gold calculated at the old nominal parity of 85s. an ounce. The true value of the existing reserve

is thus £142 millions, and the expansion over the past year amounts to £39 millions. This last figure is exactly the amount of gold which the Reserve Bank is to make available to the Union Treasury in order to finance the latest repatriation of South African sterling debt. This procedure follows the precedent that was set in dealing with the first South African sterling debt repatriation in October, 1941. On that occasion, the sterling securities in question were taken over by the South African Reserve Bank, the sterling price being provided by the appropriate sale of gold to the British Treasury. The securities were then cancelled by the proceeds of domestic borrowing.

Banks and EPT

Mr McKenna's recent assertion that no British bank had yet had to pay Excess Profits Tax, and his accompanying estimate that the return to bank shareholders did not represent more than 4 per cent on the total capital employed—including published and hidden reserves—were, not unnaturally, linked together; and the deduction made by many of his readers was that the banks had not paid EPT, because they were earning less than the 6 per cent that would be allowed on a capital standard assessment. There is, however, a complete *non sequitur* in this line of reasoning. Under the relevant Finance Acts, the taxpayer does not have the option of choosing a profits standard or a capital standard—whichever is the larger—for his EPT assessment. There is nothing in the Acts which would allow the banks to be assessed on a capital standard. The position is that the banks' assessment to EPT is based on a profits standard, for which they are allowed to select one of four figures—the profits earned in 1935, in 1936, the average of 1935 and 1937, or the average of 1936 and 1937. The most favourable of these, judging by the published figures, would appear to be the 1936-37 average. The 1941 published earnings of the five largest clearing banks when grossed up for income-tax were some £1,500,000 above this standard. How, then, can this fact be reconciled with the assertion that no EPT was paid in respect of last year? There can only be one answer; it is to be found in the wide disparities which occur between the banks' taxable profits and the corresponding figures which are allowed to appear in the published profit and loss accounts. The published profits are no guide to the banks' true and taxable earnings. It certainly cannot be asserted that, as the published figures suggest, the average of 1936 and 1937 profits provide the most favourable EPT standard. It is probable that the experience of each bank differs from that of other banks in this respect. The order of magnitude of these divergences between taxable and published profits can only be guessed at by those outside, but in some years the former may well have been double the disclosed figure. There are many deductions from published profits, in respect of buildings and transfers to internal reserves, which are not allowed for tax purposes. On the other hand, disclosed profits may include recoveries in respect of debts previously written off which would not be taxed in respect of that year, because the earlier provision for writing these assets off were made out of taxed profits.

But perhaps the most important divergence arises out of capital profits made through the sale of securities. Large-scale conversions of banks' securities are somewhat haphazard in their incidence, and if they yield a considerable profit on the price at which the securities were obtained, the effect on that particular year's taxable profits may be quite startling. Needless to say, no such profit would be shown in the published figures. It is not unreasonable to assume that during one of the years 1935 to 1937 such capital profits may have been substantial. This was a period

when banks were entering the market for 4½ per cent conversion loan on a fairly heavy scale. This stock was then a short-dated security, highly eligible for the banks, and commanded a premium. The premium itself might well have been written off from published profits—whereas the profits undoubtedly secured on the sale of other securities for conversion into 4½ per cent would have swollen the taxable profits, but have been entirely ignored in the published figures. It is unlikely that any such capital profits have accrued to the banks since the beginning of the war. Their trading in securities in the war years has been a wholly one-way traffic. In other words, the banks' EPT standards are appreciably higher than the published figures would even remotely suggest.

Post-War Interest Rates

One of the few occasions on which last week's House of Commons debate on war finance touched a qualitative level attuned to the occasion was in the discussion of post-war interest rates by Mr Benson, Labour member for Chesterfield. Mr Benson stated the position very clearly: the Government can borrow cheaply now because it monopolises the capital market, while by its control of labour, materials and civilian consumption it can keep capital development for other than approved purposes down to negligible proportions. After the war, the position will be radically altered; civilian industry will again become a keen competitor for capital; not only will there be prospects of large new industrial issues in the capital market, but companies, which throughout the war have been compelled to skimp plant renovation and to invest in Government securities the substantial allocations which would have financed new capital expenditure, will tend to sell their gilt-edged securities so as to put in hand long deferred renovation of

plant. What will happen to the rate of interest then? Mr Benson asks this question with all the apprehension that springs from his belief that low interest rates are the key to the success of Britain's economic reconstruction. He suggested two answers to his query. The first, of general character, was that the transition from war to peace in industry must involve some continuation of the priorities, quotas and controlled prices which form part of the present official control over capital development. The second, of more specialised technical character, is that steps should be taken to peg the low rates on short-term assets held by the banks. In particular, Mr Benson suggested that the many hundreds of millions of pounds which by the end of the war will have been invested by the banks in Treasury deposit receipts should be funded at a low rate—not exceeding the estimated cost to the banks of operating the credit created against the issue of these securities—and with special discounting provisions to be used in emergencies. This course of "bullying the banks" is always a tempting way out of an impasse such as this. It is quite possible that the ultimate fate of the TDRs will follow the lines suggested by Mr Benson. But it would be court-ting compete disillusionment to expect any such move to solve the problem of the short-term rate of interest. The market rate for new short loan accommodation will move quite independently of the artificial rate to which a proportion—however large—of bank assets has been pegged. The problem of the open market rate must be solved by more fundamental measures. There will be a famine of capital after the war and a correspondingly keen demand for capital goods and the wherewithal to finance their purchase. If no part is to be given to the rate of interest in arranging the order of priorities for the satisfaction of these demands, if the rate of interest is to be pegged and to play a static rôle, the alternative must be centralised control of priorities and planning of capital development as stringent and over-riding as exists today.

Investment

A Sympathetic Advance

The event of the week has been a renewed rise in the Funds, mainly medium and long dated stocks, as a sympathetic reaction to the news of the vesting of the South African stocks. The movement follows a familiar pattern and it is justified to the extent that a substantial part of the proceeds of the operation must, inevitably, go into gilt-edged. It is to be noted, however, that this new money constitutes only a 50 per cent addition to the India payments, due on January 5th; that a substantial part of the proceeds will go into shorts, or into issues now on tap; and that a further considerable proportion will not go to the gilt-edged market at all. This has always been the experience in the past. It can scarcely fail to be so now, especially as almost a third of the money involved is at present in stocks bearing a nominal rate of 4½ or 5 per cent. What the Funds are benefiting from at present is reinvestment in advance of the India moneys, and a proportion even of these is going into good equities. The attention of the market, and the investor, having been drawn to the possibilities of vesting orders, they may anticipate a fairly well sustained strength of fixed interest securities, and it is not improbable that there will be a further closing of yield margins between the Funds and other good fixed interest securities. For instance, it is not impossible that a modest demand for Australasian stocks owes as much to this line of argument as to the continued success in the Solomons. The effect of the India and South Africa payments will, however, be short lived and there is not a great deal of scope for further similar

Another Vesting Order

After a gap of almost eleven months, the Treasury announced the registration, and transfer to itself, of a further block of securities towards the end of last week. This time, the stocks concerned are five loans of the Union of South Africa—the second operation of that Dominion under the Defence (Finance) Regulations, some £40 millions of securities of the Union, Natal and the Cape of Good Hope having been called in October, 1941, for payment on the following December 1st. Prior to that, about £8,000,000 of 5 per cent stock had been paid off at its due date, namely July 1, 1940. On this occasion, the stocks involved are the 3 per cent of 1954-64 and the 3½ per cents of 1953-73, and 1955-65; the 4½ per cent 1955-75 and the 5 per cent 1950-70, the total nominal value being some £42 millions. A premium of little more than 12 points is paid in the case of each of the last two, so that the Union is getting out of its bargain on rather favourable terms. The consideration is, of course, based on the market price, plus interest to the date of payment, February 15th for securities in respect of which delivery has been completed by January 25th. The effect of previous vesting has, however, been to keep the price of securities carrying a high nominal rate of interest down well below the point at which the true return is at the level of 3 per cent, at which the Union could certainly borrow for a decade or so. The operation is the counterpart of the steady excess of South Africa's exports over her imports thanks to American purchases of gold. The Union does not accumulate sterling, but buys back a part of her own gold production, and, as a result of this, the holding of bullion and coin in the Reserve Bank had risen by some 62 per cent in the first ten months of this year. On the previous occasion, payment for the vested securities was made by surrendering gold, not sterling balances, and it has been announced that gold will be transferred to cover this payment, estimated to require £39 millions. The exchange aspects of the deal are dealt with on page 804. This means, in substance, that it will yield dollars. The usual arrangements have been made for the proceeds to be accepted in broken amounts in subscription for National War, Savings and Defence bonds now on tap, subject to the customary limitations as to minimum, and in the case of the latter, maximum holdings.



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operations. There are municipal issues of the Union, to the tune of £20 millions, which will probably be taken over. There are certain Indian railway stocks, and there are a number of Canadian common shares, which may, imaginably, still be collected and pledged, if not sold. But the last, at least, would scarcely lead to a demand for the Funds. The investor is satiated for the moment and business done continues to fall to new low levels; but the volume of enquiry continues to increase and when the holiday and tax payments are out of the way he may still decide that it is worth risking further attacks on the rights of equity holders. According to *The Actuaries' Investment Index*, the yield margin between Old Consols and British industrial equities was still one and one-third points on November 24th. It is, probably, very similar now.

* * *

Shareholders' Apathy

Of the numerous schemes recently put forward by company directors, only one, that of Peter Robinson, has met with definite, organised opposition. In this case, the shareholders' committee received sufficient support to block the passing of the proposals and discussions are now proceeding between it and the board. In the case of the John Lewis offer to holders of ordinary capital in SPS to transmute their 7 per cent participating rights into 3 per cent cumulative preference, answers have been received from holders representing something approaching half the total independent holdings. These show a vote of over five to one in favour of the proposal by both number and value. If large holdings are excluded, the majority by value is not reduced as low as four to one in favour. In the circumstances, the company is convening class meetings to sanction the scheme. The view was expressed in *The Economist* of December 5th, that the data do not exist to determine probable post-war earnings and that the scheme ought to be rejected as premature. Insofar as they affect it at all, subsequent events only serve to strengthen this view. Meanwhile, the Gaumont-British offer to General Theatres has been only a qualified success, in that it has been accepted by only some 60 per cent of holdings, against the 90 asked for. Gaumont-British have decided to accept the smaller amount and are keeping the offer open. It seems improbable that acceptance will reach a total which will permit the buyers to enforce the decision against the minority who wish to retain their holdings, but, in the ignorance which exists as to the relations between the two concerns, it may not be wise to hold back. The English Electric offer to shareholders in D. Napier & Son is in quite a different category. Preliminary figures of earnings of the latter for the year to September 30th last have been got out well in advance of the closing date of the offer, namely Monday next. They suggest a recovery in equity earnings from 9.4 to 15.1 per cent, but the distribution is unchanged at 7½ per cent.

* * *

Permanent Proxies

Attention has been drawn to the fact that the Canadian Pacific Railway Company is issuing a form of permanent proxy to its preference stockholders. This, in effect, transfers the voting rights of the holder to the chairman and president of the company in respect of all matters affecting the company's business, and it runs until revoked in writing. The practice is believed to be quite exceptional in Canada, and it is certainly so in this country. It has been in use for half a century or so by this company, and it is believed that a fair proportion of holders do in fact transfer their voting rights. This attitude towards the responsibilities of shareholders is contrary to the whole trend of modern thought on the subject, and it is to be hoped that few, if any, stockholders will give the proxy. It is not clear whether those preference holders who do give it receive full details of the business to be transacted at the meetings of the company, but, in any case, the practice must make it slightly more difficult for those who object to any proposed step to make their objection effective.

* * *

Carreras Dispute

The publication of the full report of Carreras shows that the annual meeting is to be held on December 30th. On Friday, December 18th, Mr Justice Simonds dismissed

the motion to restrain the chairman of the company from voting against the re-election of Mr W. M. Codrington to the board. The Chairman, Sir Edward Baron, is believed to hold voting control, and, as the main action, to determine whether or not this is so, cannot be heard until next session. He will presumably be able to stop the election, if he is determined to do so. It is to be hoped that he will do nothing of the sort, but that he and other officers in charge of the direction of this undertaking will reach agreement. If they do not now, it is improbable that the ultimate decision of the courts will produce a final acceptance and the state of disharmony will be perpetuated. This is yet another instance of the evil of dissociating control from financial ownership. In the case of this concern, a holding of little over three per cent of the various classes of ordinary capital gives control, since only twice that amount have any voting rights. There are, of course, cases where it is desirable that control shall be vested in a few hands, at least for a period, but this does not appear to be one of them. That is not, however, the point at issue in this discussion. It is raised because a vote of a number of shareholders at a general meeting has a quality of impersonality which is sadly lacking from this case. Meanwhile, there would seem to be nothing greatly amiss with the direction of the company, although very little indication is given by published figures. Profit is up by more than 40 per cent at £3,121,988, which suggests a very marked expansion in turnover. The increase is more than neutralised by higher tax provision and the net amount available for equity is £533,208, against £554,644, which means a small draft on the carry forward against an addition to it of some £45,000. The feature of the balance sheet is a rise of £1,577,000 in stock in trade which almost doubles it. The bulk of the rise, presumably, reflects higher prices. This is financed by a jump in creditors, while substantial expansion in debtors and investments is financed by a fall in cash. The price of the £1 "A" shares, at 117s. 6d., ex dividend, gives a yield of £4 13s. 8d.

Company Notes

Lancashire Cotton Setback

The preliminary statement of the Lancashire Cotton Corporation shows a decline in net earnings—after taxation, fees and war damage contributions—of nearly £100,000 to £599,907. In view of a rise in depreciation from £216,989 to £225,000, equity earnings are reduced from £334,571 to £243,472, representing 21.6 against 32.4 per cent. The carry forward is, however, slightly increased at the cost of halving the previous year's £200,000 transfer to general reserve, which is now raised to £750,000. The ordinary payment, maintained at 7½ per cent, is still very generously covered by surplus earnings and there is no serious danger

	Years to October 31.		
	1940	1941	1942
Profits after tax and fees*	627,820	694,977	599,907
Depreciation reserve	155,000	216,989	225,000
Debt interest	75,000	75,000	74,563
Preference dividend	68,430	68,417	56,872
Ordinary stock :—			
<i>Earned</i>	329,390	334,571	243,472
<i>Paid</i>	125,647	125,666	125,666
<i>Earned %</i>	28.6	32.4	21.6
<i>Paid %</i>	7½	7½	7½
General reserve	250,000	200,000	100,000
Carry forward	203,023	211,929	229,735
* Also after war damage contribution in 1941 and 1942.			
† Includes £100,000 to stock reserve.			
‡ Estimated.			

that the difficult trading conditions, with which the corporation is now contending, will threaten the return on equity capital, unless the directors specifically decide on an ultra conservative policy. The setback in the net figure is not unexpected. The concern was severely hit by the disappearance of much of its skilled labour at the time when the concentration policy was implemented, and, in the previous year, was unable to work in lowest cost conditions or to supply the full demand for its products. The extent to which the labour problem has been solved is probably the most important single influence on current

earnings, but there is also some agitation to increase prices. The £1 ordinary stock, at 32s. yields £4 16s. per cent.

* * *

Smaller Aircraft Concerns

The latest results of smaller aircraft companies tend to suggest that their experience has been less favourable than that of the motor concerns whose reports were discussed in *The Economist* of December 19th. The three concerns whose accounts are analysed in the following table show, in two cases, a decline in equity earnings. Little guidance can be obtained from any of the published figures of total profits, since these are now all shown after some portion of taxation and numerous other charges and provisions. The most reasonable inference is, however, that true gross earnings have in all cases substantially risen. The reason for the decline in equity earnings of *Handley Page* and *Phillips and Powis* is almost certainly the fact that their wartime expansion has been more exaggerated than that of predominantly motor concerns, so that they suffer from an unfavourable EPT standard as well as from

Company and Date of Accounts	Total Disposed Profits	Earnings for Ordinary		Dividend	December 22, 1942	
		Amount	Rate		Price	Yield
<i>Handley Page</i> (Dec. 31):						
1939	951,569	199,565	85.6	144.8	5s. stock	18 10 2
1940	160,888*	139,474	64.7	40	at	
1941	149,844†	128,470	58.8	40	23.6	
<i>Phillips & Powis</i> (Dec. 31):						
1939	79,611‡	45,729	23.4	5	5s. shares	
1940	51,426§	42,710	8.6	6	at	
1941	41,706§	33,355	13.7	9	5	
<i>Westland Aircraft</i> (June 30):						
1940	50,773	48,113	112.0	5	5s. shares	
1941	38,333	34,683	8.7	4	at	
1942	42,784	39,134	9.8	4	5/-	

* After administration expenses, depreciation and taxation, except tax on profits and interim equity payments.
† Tax free. ‡ Less tax; interim declared, less tax and final declared free of tax.
§ After E.P.T.; dividends shown gross in 1939 and 1941.
|| After tax, including tax on dividends; contingencies and, in 1942, war damage.

the effect of rising costs and narrowed contract margins. *Westland Aircraft*, in all probability, does not yet pay EPT. The only concern which is reducing the ordinary payment is *Phillips and Powis*, with an actual cut of 3 per cent less tax to 9 per cent less tax, corresponding to the reduction in surplus earnings. The dominating feature of the industrial experience of all these concerns, as well as of *Aero Engines*, which has recently issued accounts for the three years ending July 31st last, is the expansion in turnover. All balance sheets bear testimony to this rise, both in terms of increased liquid items and of stringency of ready cash. In this respect the position of *Handley Page* has notably improved. Bank overdraft of £189,918 has been eliminated and cash holdings raised from £1,604 to £52,712. The bank overdraft of *Aero Engines* stands at £420,020 and that of *Phillips and Powis* is more than £100,000 higher at £157,610. This indebtedness is the inevitable result of a sudden expansion, and, in the context of war effort, not an unwelcome sign. Yields, which range between £8 and £9 per cent less tax, are sound for this type of security.

* * *

Improved Lorry Earnings

The latest accounts of *Guy Motors* and *Dennis Bros.*, two representative concerns in the commercial vehicle section of the motor industry, show that the latest period has been no less favourable than for the light engineering section. The following table, analysing results for both companies over the past two years, shows that, in each case, total profits after tax were substantially higher. The decline in equity earnings of *Guy Motors* from £24,546 to £18,115 is due solely to the rise of some £25,000, including £5,000 for deferred repairs, in the depreciation transfer. The 15 per cent ordinary dividend is still amply covered by earnings of 18.3 against 24.8 per cent. The position is similar for *Dennis Bros.*, for although equity earnings may be estimated as having risen from £108,564 to £134,030, the rise of £30,000 in the transfer to factory renewal reserve might strictly be charged against profits and would result in a slight reduction in the earned rate. The 125 per cent divi-

dend would, however, still be covered. In neither case is there any transfer to free reserves. These results point to the two factors which govern the destiny of the truck and lorry industry: the present substantial expansion in turnover—resulting in a certain cash stringency—and the necessity to make very heavy depreciation provisions beyond

	Dennis Bros. Years to September 30.		Guy Motors. Years to June 30.	
	1941	1942	1941	1942
Profits after tax*	129,400	160,256	110,986	132,443
Depreciation	13,846	16,557	166,883	192,447
Fees, etc.	6,990	9,659	6,400	8,400
War damage	...	...	2,191	2,868
Deb. and pref. interest	...	...	10,966	10,613
Ordinary capital :—				
<i>Earned</i> †	108,564	134,030	24,546	18,115
<i>Paid</i>	93,905	93,905	14,873	14,873
<i>Earned %</i>	164.0	231.4	24.8	18.3
<i>Paid %</i>	125	125	15	15
Reserves‡	10,000	40,000	10,000	9,296
Carry forward	171,102	171,227	6,053	...

* And after tax on dividends for Dennis Bros.; before tax on dividends for Guy Motors.
† Including £5,000 for deferred repairs in each year.
‡ Factory renewal for Dennis; Contingencies for Guy.

those permitted by the Inland Revenue authorities for tax purposes. For the present, profits appear high, but a heavy reconstruction programme must be undertaken before the companies can expect to excel in the post-war world. The balance sheet shows the expected expansion in debtors, creditors, stocks and work in progress, with a certain decline in cash holdings. The expansion appears to have been more marked in the case of *Dennis* than of *Guy*.

* * *

Diamond Payments

The decision of the De Beers directors to double the payment on the deferred capital, thus distributing 40 per cent for the first time in well over a decade, scarcely exceeded market expectations. Although there is no information as to work on the properties, the improved result is almost certainly a reflection of sales rather than production, and it is clear that the industry is one of those reaping the greatest benefit from the war. The demand for both industrial diamonds and gem stones has been good and there is every reason to suppose that both will continue to improve, unless and until the general level of taxation more than counteracts the decreased opportunities for expenditure on more usual objects. Hitherto, supply has lagged far behind demand at ruling prices, but the position is gradually improving as America and South Africa learn to replace the diamond cutters of Holland. While the outlook seems fair for the period of the war, the directors of this group of companies are, evidently, uncertain, since they postponed the interim payments. There will be some disappointment that the payment on Consolidated Diamond Mines of South West Africa should merely be maintained at 15 per cent. This is possibly due to the relatively smaller holding in the Diamond Corporation, but the accounts of neither company are of a character to permit any exact deductions. The effect of the announcement was to raise the 50s. De Beers' deferred shares to 223s. 9d. and to cause a drop of 7½d. to 15s. 1½d. in the 10s. ordinary of Consolidated. In the absence of information as to the rate at which tax is to be deducted, exact yields cannot be calculated, but the returns are around 9½ per cent for De Beers and 10½ for Consolidated, subject in each case to tax at somewhat below the full rate.

* * *

Apex (Trinidad) Higher Profits

The preliminary statement shows a rise of some £90,000 to £676,745 in the profits of Apex (Trinidad) Oilfields for the year to September 30th last. The improvement, despite the rise in costs to which the chairman referred at last year's meeting, is not surprising in view of the extension of enemy control of alternative sources of supply in the Far East. The transfer for amortisation of wells is again slightly higher at £242,084 against £235,112, and there is an increase in tax liability from £131,000 to £205,000, so that the actual rise in equity earnings is a modest one, from

£196,217 to £205,878. In view of an increase in Dominion Income Tax Relief, tax is deducted from the ordinary payment, maintained at 30 per cent, at 5s. 5d. against 6s., so that the rate of cover, adjusted for this factor, shows a slight decline from 47.4 to 40.2 per cent. General reserve receives £30,000, as in the two previous years, and the carry forward is nearly £11,000 higher at £143,168. These results are fully as good as could have been expected in view of the shortage of skilled labour and the inevitable transport difficulties. The 5s. ordinary shares at 33s. 6d. yield £4 11s. 4d. less tax at 5s. 5d. per cent, or £6 13s. subject to the full standard rate.

Further Kaffir Payments

The dividends announced by the *Anglo-American* and *Consolidated Gold Fields* mining groups for the second half-year of 1942 were rather better than the market had expected. The *Anglo-American* group possibly underestimated the resilience of profits, and in five cases the latest dividends are higher than those announced last June, although only in two cases, Western Reefs and East Dagga, which are not yet fully developed, were payments raised above those of a year ago. All the others, except New Era, show falls. There is no case of a further reduction for the latest half-year. The *Consolidated Gold Fields* group contains two reductions on the figures of last June, of which one, that of Sub Nigel, from 5s. 3d. to 5s., is due wholly to the age of the mine, which is now past the point

of maximum yield. All mines except Vogelstruisbult, whose payment is restored from 9d. to 10½d., are distributing less than a year ago, but Simmer and Jack has returned to the dividend list with a distribution of 2d. for the year against

DIVIDENDS PER SHARE				
Years ending December 31	June, 1941	June, 1941	June, 1942	June, 1942
<i>Anglo-American:</i>				
Brakpan (5%)	1 3	1 3	10½	1 3
Daggafontein (5%)	1 4½	1 6	1 5	1 4½
E. Daggafontein (10%)	1 3	1 3	1 5	1 5½
New Era Consol. (5%)	3 2	3 2	3 4½	3 4½
S. African Land (3/6)	1	3 6	3	5 1½
Springs (5%)	1	1	9	9
West Springs (4½)	1	1	9	9
Western Reefs (5%)	1	5	9	1 3
<i>Consolidated Gold Fields:</i>				
Rietfontein Cons. (5%)	9	9	6	9
Robinson Deep (18%) (7/6)	1 10½	1 10½	1 6	1 6
Simmer & Jack (2/6)	6	5	8½	7 2
Sub Nigel (10%)	6 3	6 3	5 5	5
Venterspost (10%)	9	9	7½	8
Vogelstruisbult (10%)	10½	10½	9	10½
Luipaards Vlei (2%)	5	5	4	4

* Financial year ends June 30.

11d. a year ago. There was some disappointment that Vlakfontein has not yet entered the dividend list, but, on the whole, market opinion is relieved that the more general downward trend initiated last summer has been checked for the present.

Industry and Trade

Highlands Electricity Development

The Government has accepted the main recommendations of the Committee on Hydro-electric Development in Scotland, which was appointed in October, 1941; and legislation will probably be introduced shortly after the Christmas recess. The Committee has produced what should be a workable compromise between the views of those who oppose any development of the Highlands for fear of spoiling natural beauty and those who press for industrial development irrespective of aesthetic consequences. The report points out that most of the undeveloped water resources of the Highlands are in lonely and inaccessible places and that intensive exploitation of similar resources has been carried out in Norway, Switzerland and elsewhere, without disfiguring the countryside or adversely affecting tourist trades. The present scheme is designed to give the inhabitants a future, as well as a past, and to revitalise what has become a depressed area. Clearly the Highlands cannot remain the preserve of land-owning and sporting interests, and there must be more useful occupations for the population than being deer-stalkers, game-keepers and ghillies. The Committee recommends the creation of a non-profit-making public service corporation, called the North Scotland Hydro-electric Board, with responsibility for electricity generation and supply in the northern area, that is, the area north of a line which runs approximately from Dumbarton to Montrose. The Board would undertake a development programme with the three main objectives of attracting to the Highlands a share in the electro-chemical and electro-metallurgical industries; developing power for the consumers of existing undertakings or for consumers in its own area; and carrying on experimental schemes in isolated districts. It would be empowered to acquire the land and wayleaves necessary by requisition, failing agreement. The vesting of responsibility for development in a public corporation rather than in a private company should act as a safeguard of the public interest, while the proposal that the new Board should be advised in framing and executing its schemes by an Amenity Committee is a wise precaution.

Wage Increases

In the prolonged absence of a unified policy for wages, rises continue to be won, haphazardly, in industry after industry. In some cases, such as that of merchant

seamen, there is abundant reason for higher pay—in others, good reasons are much harder to seek. It is estimated that during January to September this year, nearly five and a half million workers shared increases (in rates of pay) amounting to £1,250,000 a week. A new batch of rises has been announced, covering merchant seamen and ranging through various industries to canteen workers. The National Maritime Board has agreed new rates for the Merchant Navy, to operate from February 1st. Basic pay is to be increased by amounts ranging from 10s. to £4 a month, according to rank, and the "differential" payment of £2 is to be merged with basic rates. The Cotton Conciliation Committee has awarded a flat rate rise of 5s. a week to adult cotton weavers working a full complement of looms, bringing their minimum wage to 48s.; the new 200,000 shipbuilding workers are to receive a war bonus; 6s. a week is to be paid to adult males; women and youths will also benefit. In mid-January, under a new agreement, member firms of the National Society of Caterers to Industry will raise wages by 5s. a week for adults, by 4s. a week for workers aged 18 to 21 years, and by 3s. a week for younger workers.

Coal Mines Financial Control

Under the new financial control arrangements in the coal mining industry, the revenue from the 1s. a ton price increase operative from January 1st will not be retained by the colliery companies, but, like the July increase of 3s. per ton, will be diverted under a levy of at least a corresponding amount into the national pool which was created under the Coal Charges Order of June 3rd last. On current disposals the 1s. will yield approximately £9 millions per annum and will swell the annual rate of inflow into the Coal Charges Account under the control of the Ministry of Fuel and Power to above £40 millions. The chief claim of this fund is the Greene wage, which was estimated to cost over £23 millions per annum; but other charges which the pool is intended to cover are (1) assistance to necessitous undertakings; (2) guaranteed wage payments under the Essential Work Order; and (3) the additional wages under the output bonus scheme. Pending the settlement of the ultimate form and extent of Government control under requisition, the Exchequer has been temporarily financing some expenditure, but it has now been arranged that the

industry must bear all expenditure which can be said to be part of the cost of coal production. The Exchequer will bear the burden of emergency measures, including the heavy cost of the operational control now being exercised by the Ministry of Fuel through the national and regional machinery created under the authority of the White Paper of last June. Accordingly, the fund must defray expenses incurred under the special measures which have been taken for the recruitment, training, transport, and transfer of miners, and the cost of a non-recurring levy (probably not more than 1d. per ton) which it is proposed to make in 1943 under the Workmen's Compensation Bill now before Parliament.

The new arrangements provide also for a more systematic and assured remuneration for capital. Hitherto, there have been considerable disparities between the trading balances of the various districts. Some have been handicapped by debit balances while others have been showing credit balances ranging up to 2s. or more per ton. The main object of this part of the scheme is to secure a better equalisation of the available net proceeds of the industry. In the fixing of the datum, minimum, and maximum rates per ton of credit balances, regard has been had to past performances and to the desirability of stabilising them with only half-yearly opportunities for revision. For the industry as a whole the datum credit balance, it is understood, closely approximates that earned during the first half of 1939 with a maximum rate only about 6d. per ton above it, while the appropriate credit balance for each individual district is to be adjusted by abatements in the payment of the levy under the form of price allowances. The pool is to bear the drain of these price allowances as well as the cost of the other services enumerated above. It is understood that the 1d. per ton increase in the price of coal authorised by the Board of Trade last July to cover the cost of charges consequential on the wage increases granted under the Greene award is to be discontinued, but the original levy of 7d. per ton to cover assistance to necessitous undertakings and guaranteed wage payments is being reduced to 6d. per ton, and it is expected that from the beginning of the new year the total levy under the Coal Charges Order will be either 4s. 6d. per ton or 5s. if this higher rate is considered necessary. It is not expected that the fund will be equal to the payment even of the contemplated minimum credit balance in respect of 1942.

Lead Supplies

The supplies of lead available to the United Nations are less scarce in relation to demand than those of the other leading non-ferrous metals. In its latest survey of strategic materials, the United States War Production Board classifies copper, zinc, tin, aluminium and magnesium under the heading of products which are only available for military purposes; lead, on the other hand, is listed among materials which are also available for civilian needs and as a substitute for other metals. In this country, too, lead is being released more freely for non-military uses than any of the other major base metals. There are two reasons for the relatively comfortable Allied lead supply position. With the exception of some 100,000 metric tons of lead normally produced in Burma and Japan and some 225,000 metric tons in German-controlled Europe, the United Nations control the entire world output of this metal, which, before the war, was at the rate of 1,600,000-1,700,000 metric tons per annum, and has probably risen during the past two years. Secondly, the war has severely reduced the most important peace-time outlets for lead—building and the coating of electric cables—which formerly absorbed more than one-half of all supplies. Although lead consumption for military purposes—the metal has always been essential to the production of small arms munitions—has been greatly increased with the mechanisation of warfare, the reduction in its use for non-military purposes has been marked enough to assure ample supplies for current needs. The favourable lead position of the United Nations is particularly important in that this metal can be usefully employed in greater quantities for purposes for which normally scarcer metals are required, such as protective coating, solder, bearing metals and foil. The Axis is short of lead. German-Europe before the war used to absorb much more than twice the quantity of lead it produced, and Japan produced less than one-tenth of its own requirements. True the lead mines of

Burma, now in Japanese occupation, could probably meet that country's deficiency; but in view of the destruction reported to have been carried out by the retreating Allied troops, it is doubtful whether the mines are again producing at anything like maximum capacity.

Fun of the Fair

Seasonal colour has inspired the Ministry of Food to "go gay" in its campaign to increase potato consumption. Potato Pete is holding a Christmas fair on a bombed site in a busy London shopping area, and the fun of the fair is given free rein. Gone are the days when every shop in the street vied with the others to produce the gayest, most exciting show, and Potato Pete, holding the field to himself, is proving a great draw; it would have done so against all rivals. Adults walk downstairs slowly, but for the younger there is speedy progression into the fair by means of a shute. Inside all tastes are catered for. Mother can discuss food and collect recipes in the Cookery Nook, while with four balls costing twopence the children can "sink a U-boat." They must give the voucher they collect when paying their twopences to mother, for it is worth two lb. of potatoes at the local greengrocer. When they have had their fill of Potato Nursery Rhymeland, the magic garden, the lucky slide, the distorting mirrors and the lucky dig, Father Christmas gives them a hot potato from his baked potato can. Having signed his book with a promise to eat more potatoes, the family can rest in the cinema, where there is something for everyone in the programme.

The New Domesday Book

The National Farm Survey, which has been undertaken by the Ministry of Agriculture, is in the nature of a domesday book, whose object is complete knowledge of all farms. The Survey was begun early in 1941, and the field work is nearing completion. The information collected falls into three sections. A record for each farm gives data on such subjects as the conditions of tenure and occupation; the natural state of the farm, including its fertility; its equipment; weed and pest infestation; water and electricity supplies; its management and its wartime ploughing-up record. From the completed June, 1941, farm census return, statistics of crop acreage and livestock numbers have been added, and a plan of the farm is part of the survey. The county war agricultural executive committees have assumed the onerous task of collecting the material, in which they have had the assistance of practical farmers and surveyors. A good deal of the data has been assembled in the course of inspections made for other specific purposes, such as the allocation of ploughing up quotas and drainage grants. The survey has already proved of great value to the county committees, and has enabled productivity to be stepped up on individual farms. Its usefulness in post-war planning can scarcely be exaggerated. With the picture of all aspects of farms and farming it provides, whatever policy for agriculture is adopted, lack of information will not hinder its formation or operation.

Miners' Bonus—A Correction

Last week *The Economist* inadvertently repeated a mistake made, equally inadvertently, by the Ministry of Fuel and Power. In a note on page 778, entitled "Coal Output," the sentence beginning "The number of miners to receive the bonus was 230,500 in November," should continue: "compared with 290,000 in the previous period," instead of 190,000 as stated. On page 646 of the issue of November 21st the same wrong figure was given, and the same substantial correction (which has, unfortunately, not yet been made publicly by the Ministry itself) applies.

Correction

In a Note called "Another Million Acres" on page 743 of *The Economist* of December 12th, reference was made to a paper by Mr D. R. Bomford, chairman of the Tractor Users' Association. This paper was read to the Royal Society of Arts (16 John Adam Street, London, W.C.2), not, as stated, to the Royal Statistical Society.

COMPANY MEETINGS

THE FINANCIAL NEWS
LIMITED

The forty-fifth annual general meeting of The Financial News, Limited, was held, on the 18th instant, at the registered offices of the company, 20, Bishopsgate, E.C. 2, Major-General G. P. Dawnay, C.B., C.M.G., D.S.O., M.V.O., chairman of the company, presiding.

The chairman said: You will see from the directors' report that the profit for the year covered by these accounts amounted to £15,374, leaving, after provision of £8,077 for income-tax and N.D.C., a balance of £7,297. These figures compare with a profit of £10,960 for the previous year, when, after having credited income-tax recovered from preference dividends, no further provision was required for income-tax and N.D.C. Had preference dividends last year been charged net, as has been done this year, the comparable profit would have been £5,691, so that this year shows an increase of £1,606. This result has enabled us to pay our full preference dividends and to recommend the payment of a dividend of 5 per cent. on the ordinary shares, while still adding very slightly—that is to the extent of about £75—to our carry-forward. In the circumstances, this appears to your board to be a satisfactory result. The factors which I mentioned last year as tending to restrict our revenue-earning capacity, e.g., the ban on new issues, the curtailment of space for company meeting reports and so forth, continued no less in the year under review than in the previous period. On the other hand, we have dealt in these accounts very conservatively with the profits of our subsidiary companies; the results of the current financial year up to date indicate that the period in which we are now embarked should compare not unfavourably with the period covered by these accounts; and the liquid position of the company is, as you will see, satisfactory. In the circumstances, the board has felt justified on this occasion, unlike last year, in recommending the payment of the modest dividend on the ordinary shares to which I have already referred.

It will of course be understood that the present accounts reflect considerable economies, some of them sought by us and some imposed upon us, as for instance by the still further depletion of our staff during the year. This is now at the barest minimum necessary for the maintenance of the quality of our several publications. Those members of the staff who have remained with us have all had to share a greatly increased burden of work, and they have shouldered this burden cheerfully. We are continuing to supplement the pay of those members of the staff who find themselves on active service.

SUBSIDIARY AND ASSOCIATED COMPANIES

During the past year the subsidiary and associated companies have each made profits, and those profits have, as I have already stated, been dealt with conservatively. The parent company has also made a profit in spite of the fact that many of our costs, and especially printing costs, have tended to rise.

There is one point to which I propose to draw attention in connection with the balance-sheet. You will observe that our goodwill and copyrights still stand at the figure of £220,331, while our investments in subsidiary and associated companies stand at £159,159. The board thought it well recently to have an independent report made upon the value of the investments in subsidiary and associated companies. The report rendered to us indicates that the investment in subsidiary and associated companies has an actual value of nearly £72,000 in excess of the value in our balance-sheet. If this valuation be taken as reliable, which the board believe it to be, and if thereto were added the £100,000 reserve account carried in our balance-sheet, you would have £172,000 or thereabouts available to set against the figure of

£220,000 of goodwill. The difference would leave an intangible asset in our balance-sheet of only about £48,000; and the board does not conceive that there would be any difficulty in justifying a figure of that order as the effective goodwill of The Financial News. In making these calculations, you will observe that I have left altogether out of account our carry-forward of £98,729, which will be the figure remaining to the credit of profit and loss account after payment of the ordinary dividend now recommended.

As regards the liquid position, you will see that the present accounts show cash at £19,456 and marketable securities at £42,571, which latter figure has since been increased. I do not wish anything I have said to give the impression that we should look for any considerable increase in profits during the current year. Our business is, and must remain during the war, subject to the same difficulties, restrictions and limitations as those to which we have become accustomed during the past two years. But I think we may say that all our publications have maintained their positions in their respective fields, and that, at the moment at which I speak, they are holding their own, both as regards prestige and financial results.

I have only to add our thanks to our executive and the officials and staff in all departments for their able, loyal and successful work during another war year, and to wish those serving in the Forces a safe return not too long delayed.

The report and accounts were unanimously adopted and a dividend of 5 per cent. on the ordinary shares for the year ended June 30, 1942, was declared.

PENINSULAR AND ORIENTAL
STEAM NAVIGATION
COMPANYSTATEMENT BY MR. A. O. LANG,
DEPUTY CHAIRMAN

The 102nd ordinary general meeting of the Peninsular and Oriental Steam Navigation Company was held in London on the 23rd instant.

The following are extracts from the statement previously issued to the stockholders, which was taken as read:—For reasons of security many items in the accounts cannot be explained in detail. It has been considered prudent to add from profits the sum of £100,000 to "Tonnage Replacement Reserve."

Loss of tonnage results in loss of earnings, and until new ships can be built the company's revenues must steadily decrease as Government paper cannot possibly give anything like the same revenue return.

Subsidiaries are also suffering from the same disability, in some cases severely. With this in mind the directors have decided that it would be prudent to write down the holdings and, apart from the allocation from profit and loss account, £400,000 from the company's investment reserve has been utilised for this purpose.

The effect of the loss of tonnage is also prejudicial from an E.P.T. point of view as investments in Government securities are not allowed as capital employed in the business.

Opportunity was taken recently of giving notice of repayment on April 1, 1943, of the 4½ per cent. debenture stock, 1943-72, the amount involved being £53,331,185. Holders of this stock were offered £3,000,000 new 3½ per cent. debenture stock, 1953-73 at 99, redeemable at 101, and this issue has been oversubscribed and will come into being on April 1st next.

It will be appreciated that post-war conditions cannot be forecast with any degree of accuracy, but your Board is constantly considering all likely developments, and it may be that powers will require to be taken to permit of the company engaging in air transport of passengers, mails and freight as complementary to its sea service.

The report and accounts were adopted.

THE INDUSTRIAL CREDIT
COMPANY, LIMITED

STRONG FINANCIAL POSITION

The ninth ordinary general meeting of this company was held, on the 15th instant, in Dublin.

In moving the adoption of the report and accounts the chairman, Mr J. P. Colbert, said: The balance-sheet now in your hands is a sound one, as in the case of all previous balance-sheets, and is, in fact, the strongest balance-sheet which we have hitherto presented. Our investments stand at a very conservative figure in relation to current market values.

Another item in the balance-sheet on which I wish to comment is the figure for "cash in hand and at bankers" (£90,649). This may seem high, but since the date of the balance-sheet the great bulk of this sum has been absorbed into the earning asset of "loans and advances."

The net profit for the year, before charging income-tax and corporation profits tax, is £31,859, as against £50,047 in the previous accounting period. This decline does not connote a diminution in our basic earning capacity, since certain exceptional items contributed to the profits of the previous year.

Deducting the provision for income-tax and corporation profits tax, amounting to £12,182, and adding the balance of undivided profits brought forward from the last account, the total of profits available to be dealt with is £22,404.

In view of the balance-sheet position, and notwithstanding the uncertainty of the outlook, the directors recommend a repetition of last year's dividend of 2½ per cent. on the amount paid up on the shares, subject to tax.

The report and accounts were adopted.

BARCLAYS BANK
(DOMINION, COLONIAL AND
OVERSEAS)ANNUAL MEETING OF
STOCKHOLDERS

The seventeenth ordinary general meeting of stockholders of Barclays Bank (Dominion, Colonial and Overseas) was held, on the 21st instant, at 29 Gracechurch Street, London, E.C.

Sir John Caulcutt, K.C.M.G. (the chairman), who presided, said that he had dealt with the affairs of the bank for the year ended September 30, 1942, in the statement which had been issued with the report and balance-sheet to the stockholders and to the Press, and it would only be necessary, therefore, to deal with the requisite resolutions and any comments which stockholders might desire to make.

The chairman then moved the adoption of the report of the directors and the statement of accounts and the payment of a final dividend of 4 per cent. actual on the 8 per cent. cumulative preference stock and of 3½ per cent. actual on the "A" stock and "B" shares. The motion was seconded by Mr. W. M. Goodenough (deputy-chairman) and carried unanimously.

The retiring directors, Sir Ernest Oppenheimer, the Right Hon. the Earl of Clarendon, K.G., G.C.M.G., G.C.V.O., and Sir John Caulcutt, K.C.M.G., were re-elected.

On the motion of the Right Hon. Lord Ebbisham, G.B.E., seconded by Sir Frank Newson-Smith, Messrs Deloitte, Plender, Griffiths and Co., Price, Waterhouse and Co., Peat, Marwick, Mitchell and Co., and Cooper Brothers and Co. were reappointed auditors. The meeting closed with a vote of thanks to the chairman, directors and staff, and especially to those in the East and in Malta.

FIRST GARDEN CITY
LIMITED

TOWN AND COUNTRY PLANNING

The annual general meeting of First Garden City, Limited, will be held, on the 31st instant, at the Great Northern Hotel, King's Cross, London, N. 1.

The following is an extract from Mr Eric Macfadyen's (the chairman) statement to shareholders issued with the report and accounts:—

The recent publication of the Scott and Uthwatt Reports completes the survey of the problems of land utilisation begun by the Barlow Report, and these three authoritative reviews provide the public generally, for the first time, with authentic material for forming an opinion on the whole question of town and country planning. Since Ebenezer Howard first directed attention to the need of controlling the use of the limited area of the land of the country in the interests of the community it has increasingly been realised that the root of the matter lay in a just solution of the problems of compensation and betterment.

PROBLEMS OF COMPENSATION AND
BETTERMENT

The latest of those three Reports for the first time faces this fundamental question. By owning the freehold of Letchworth and the surrounding farm land our company has been able to reconcile these conflicting interests; and for over 40 years we have been engaged in developing a new town whose social amenities, economic prosperity, and public health and vital statistics entitle us to claim that it constitutes an experiment of unique and far-reaching interest. Not the least interesting feature of that experiment has been that the town has been created by private capital; a pointer to the possibilities of similar development backed by public credit. It is noteworthy that the Hertfordshire County Council, with its experience of Letchworth and Welwyn, should have laid down that Garden City principles should govern future urban development in the county.

URGENCY OF THE ISSUE

Taken in conjunction with the Barlow and Scott Reports, the Uthwatt Report propounds a solution of the underlying problem applicable on a nation-wide scale, and by doing so marks a milestone in the town and country planning movement. The circumstances of today create an unparalleled opportunity for translating theory into practice; it remains now for public opinion to insist upon action. I do not exaggerate in saying that the health, wealth and happiness of Britain for generations to come depend upon this issue being squarely faced today.

The directors recommend the payment of the 5 per cent. dividend which has been customary for so many years.

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WANKIE COLLIERY
COMPANY, LIMITED

LARGER PROFIT

The nineteenth ordinary general meeting of the Wankie Colliery Company, Limited, was held, on the 22nd instant, in London, Sir John R. Chancellor, G.C.M.G., G.C.V.O., D.S.O. (chairman and joint managing director), presiding.

The following is an extract from the statement by the chairman, circulated with the report and accounts:—In accordance with custom, I shall refer to the items appearing in the balance-sheet. Provision for taxation, £302,748, shows an increase of £81,933. This increase is due partly to the larger profit earned during the year, partly to the rate of income-tax payable in Southern Rhodesia having been increased from approximately 7s. 6d. to 9s. 3d. in the £, and partly to the fact that, owing to such increase, the amount reserved for taxation in the previous accounts was under-provided.

Under the heading "profit and loss account the balance at August 31, 1941, was £105,782. After deducting the dividend of 5 per cent. for the year ended August 31, 1941, paid on January 1, 1942, £83,125, there remained £22,657, to which has been added the balance of the profit and loss account for the year ended August 31, 1942, £232,819, making a total of £255,476. From this amount has been deducted £149,500 reserved for taxation, leaving a balance of £105,976, out of which we recommend the payment of a dividend of 5 per cent., which will absorb £83,125, leaving a balance of £22,851 to be carried forward, subject to directors' additional remuneration.

Coal sales amounted to 1,282,939 tons, which shows an increase of 113,205 tons when compared with the previous year. The principal increases were on sales to the railways, Southern Rhodesian customers (mainly the municipalities and Electricity Supply Commission), to the Northern Rhodesia mines and the Congo. Sales of coke also show an increase; the total sales amounted to 83,517 tons, as compared with 75,571 tons last year.

The figures for reserve and development, etc., have again been omitted from our report, but we assure members that the position in regard to these matters is satisfactory. All the machinery and plant and electrical equipment at both collieries have been maintained in satisfactory order. To safeguard the water supply position during times when the Deka River is in flood and when frequent shutting down of the pumps is necessary to prevent excessive wear, a new brick reservoir is being built at No. 1 colliery. It was approaching completion at the end of August. Native labour has been plentiful throughout the year.

The report was unanimously adopted, the retiring director was re-elected, and the auditors having been reappointed the proceedings terminated with a vote of thanks to the chairman and directors.

MALAYAN TIN DREDGING,
LIMITED

The thirty-first annual general meeting of Malayan Tin Dredging, Limited, was held, on the 18th instant, at 73 Cheapside, London, Mr C. V. Stephens, the chairman, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:—Deducting the loss for the year, £9,396, from the balance brought forward from June, 1941, there is a credit balance on profit and loss account of £56,842. Dividends of 10 per cent. each were paid in September and December, 1941, totalling £40,000, and there remains a balance of £16,842 which the directors recommend should be carried forward to the current year.

The land owned by your company comprises two areas, the home property, of which approximately 700 acres remain to be worked, and the recently acquired Kampong Gajah block of 2,500 acres. The Kampong Gajah block is a most valuable area, the land averaging over 100 feet in depth. Sooner or later we should regain possession of our properties. Their extent should ensure a long and profitable life for the company.

As the damage to the plant was inflicted on official orders I think we may confidently expect that some reasonable measure of Government assistance will be forthcoming.

The report and accounts were adopted.

SOUTHERN MALAYAN TIN
DREDGING, LIMITED

The sixteenth annual general meeting of Southern Malayan Tin Dredging, Limited, was held, on the 18th instant, at 73 Cheapside, London, Mr C. V. Stephens, the chairman, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:—It will be seen that the accounts represent five months' working only. After writing off as lost stores at mine £75,306, and plant, machinery, buildings and furniture £79,000, the profit as shown in the profit and loss account is £55,266.

Adding the profit for the year, £55,266, to the balance brought forward from the previous year, there is a credit balance of £92,707. Dividends of 10 per cent. each were paid in September and December, 1941, totalling £86,500, and there remains a balance of £6,207, which the directors recommend should be carried forward to the current year.

The strength of the company's financial position is a source of much comfort in the difficult days through which we are passing. The position is due to the policy pursued in past years of providing adequate plant depreciation and of thus being enabled to set aside reasonable sums for the provision of new plant.

The report and accounts were adopted.

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RESERVE FUNDS (HONGKONG CURRENCY) - £10,000,000
RESERVE LIABILITY OF SHAREHOLDERS - £20,000,000

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Finance

GOVERNMENT RETURNS

For the week ended Dec. 19, 1942, total ordinary revenue was £45,111,000, against ordinary expenditure of £112,723,000, and issues to sinking funds of £315,000. Thus, including sinking fund allocations of £8,722,847, the deficit accrued since April 1st is £2,197,134,000, against £2,179,142,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	Receipts into the Exchequer (£ thousands)			
		April 1 to Dec. 20, 1941	April 1 to Dec. 19, 1942	Week ended Dec. 20, 1941	Week ended Dec. 19, 1942
ORDINARY REVENUE					
Income Tax.....	913,000	310,430	376,978	6,092	14,410
Sur-tax.....	78,000	22,037	19,804	1,422	1,100
Estate, etc.,					
Duties.....	90,000	63,744	64,940	2,219	1,728
Stamps.....	15,000	8,793	9,170	210	210
N.D.C.....	425,000	14,964	19,848	650	322
E.P.T.....	171,951	242,472	10,166	6,167	
Other Ind. Rev.	1,000	267	320	20	10
Total Ind. Rev.	1522000	592,186	735,532	20,569	23,947
Customs.....	438,295	263,648	333,069	8,786	9,305
Excise.....	366,705	229,700	298,700	2,100	3,000
Total Customs & Excise.....	805,000	493,348	631,769	10,886	12,305
Motor Duties.....	34,000	12,401	6,497	...	...
Canadian Govt. Contribution.....	225,000	...	219,984	...	11,236
P.O. (Net Receipts).....	10,000	10,000	10,400	Dr2200	Dr3100
Wireless Licences.....	4,300	2,610	...	...	...
Crown Lands.....	800	670	680	...	...
Receipts from Sundry Loans.....	5,000	2,958	2,436	...	39
Miscell. Receipts.....	21,000	57,872	75,843	2,256	684
Total Ord. Rev.	2627100	1169435	1683750	31,511	45,111
SELF-BALANCING					
P.O. & Brdcastg.	102,523	72,200	75,100	5,000	5,100
Total.....	2729623	1241635	1758850	36,511	50,211

Expenditure	Estimate, 1942-43	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1 to Dec. 20, 1941	April 1 to Dec. 19, 1942	Week ended Dec. 20, 1941	Week ended Dec. 19, 1942
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	325,000	220,098	252,318	2,740	3,052
Payments to N. Ireland.....	9,500	5,246	5,366	...	...
Other Cons. Fund Services.....	7,800	4,198	4,035	54	71
Total.....	342,300	229,542	261,720	2,794	3,123
Supply Services.....	495,320	311,546	361,042	96,500	109,600
Total Ord. Exp.	529,550	334,088	387,216	99,294	112,723
SELF-BALANCING					
P.O. & Brdcastg.	102,523	72,200	75,100	5,000	5,100
Total.....	539,827	341,328	394,726	104,294	117,823

After increasing Exchequer balances by £25,798 to £2,678,488, the other operations for the week (no longer shown separately) raised the gross National Debt by £68,172,907 to £16,277 millions.

MISCELLANEOUS ISSUES (Net) (£ thousands)	
P.O. and Telegraph.....	200
Overseas Trade Guarantees.....	21
Total.....	221

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

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1949-51
Nov. 3.....	4,239	1,749	4,384	9,002
" 10.....	4,366	1,922	11,323	6,179
" 17.....	4,320	2,114	5,186	13,737
" 24.....	4,092	1,972	5,025	9,985
Dec. 1.....	4,420	1,945	4,325	38,359
" 8.....	4,166	1,971	4,036	6,549
" 15.....	4,097	1,855	4,359	2,376
Totals to date ...	670,696*	517,314*	933,004†	722,778‡

* 160 weeks. † 102 weeks. ‡ 62 weeks.
 † Including series 1951-53. ‡ Including all Series.
 Dec. 15th amounted to a total value of £52,145,222.
 Up to Nov. 28th, principal of Savings Certificates to the amount of £88,522,000 has been repaid.

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1941					
Dec. 19	75.0	133.2	75.0	s. d. 20 2.14	40
1942					
Sept. 25	75.0	134.7	75.0	19 11.52	55
Oct. 2	75.0	156.2	75.0	20 0.15	33
" 9	80.0	164.8	80.0	20 0.47	39
" 16	85.0	181.2	85.0	19 11.30	27
" 23	85.0	172.7	85.0	20 0.44	35
" 30	85.0	175.2	85.0	20 0.32	31
Nov. 6	85.0	185.3	85.0	20 0.45	31
" 13	85.0	170.7	85.0	20 0.60	36
" 20	85.0	178.6	85.0	20 0.40	33
" 27	80.0	169.0	80.0	20 1.44	30
Dec. 4	75.0	158.9	75.0	20 1.27	29
" 11	75.0	144.7	75.0	20 1.49	35
" 18	75.0	137.4	75.0	20 1.64	39

On Dec. 18th applications at £99 15s. per cent for bills to be paid for on Tuesday, Wednesday and Thursday of following week were accepted as to about 39 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 1d. for bill to be paid for on Monday were accepted in full. £75 millions of Treasury Bills are being offered on Dec. 24th. For the week ending Dec. 26th, the banks will be asked for Treasury deposits to a maximum amount of £65 millions.

OVERSEAS BANK RETURNS

NOTE.—The latest returns appeared in the following issues:—

1939.—December 9, Finland.
 1940.—April 13, Norway; April 27, Denmark; May 4, New York Federal Reserve Bank; May 11, Holland; May 18, Belgium; June 8, France; June 22, Java; August 9, Bulgaria; October 5, Latvia; October 26, Estonia; November 23, Iran; November 30, Lithuania.
 1941.—May 10, Egypt; June 7, Yugoslavia; August 23, Greece; September 20, Sweden; December 13, U.S. Member Banks; December 20, Japan.
 1942.—March 28, Hungary; May 9, Roumania; October 3, Reichsbank and Prague; November 14, Portugal; November 21, Switzerland; December 5, Turkey; December 12, Australia and Canada; December 19, Argentina, India, International Settlements, New Zealand, South Africa and U.S. Federal Reserve.

THE ECONOMIST
BANKING SUPPLEMENT

VOL. CXLIII

SEPTEMBER 19, 1942

[No. 5169]

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THE ECONOMIST

BANKING SUPPLEMENT

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Industrial Finance in War

THE direct intrusion of the Government in the economic life of this country since the beginning of the war has nowhere been more marked than in the sphere of long and short term investment. Yet, it is in this sector that the growth of Government interference in what was previously the domain of private enterprise has attracted least notice. The Government as merchant, industrialist and distributor appears obviously enough in the guise of the Ministry of Supply, the ordnance factories, the Ministry of War Transport. But as investor and banker its activities are not so apparent to the general public. It is none the less true to say that, since the war, the Government has become by far the largest source of long term investment in this country, and that as banker it is beginning to rival in its activities the whole of the commercial banking system.

It is inevitable that this should be so. In the first place, the normal machinery through which the long term capital market functioned before the war was abruptly stopped by the Defence (Finance) Regulations which forbade all issues of capital—whether for short or long term—in excess of £10,000 unless prior permission for the operation had been obtained from the Capital Issues Advisory Committee. The procedure of that committee and the nature of its decisions were from the start based on the principle that the capital market should be maintained as a closed preserve for the insatiable needs of the Government. In consequence, applications for capital issues have only been granted in comparatively few cases. The pre-war new issue mechanism has been put in cold storage for the duration. Even if it had been allowed to continue functioning, it is most improbable that it could have satisfied more than a negligible fraction of the demand for new fixed capital financing which was caused by the war. War industry hardly represents the risks which the private investor can be asked to underwrite. Much of it, in any case, consists of enterprises directly and wholly owned by the Government as, for example, the ordnance factories. For the rest, the vast conversion of peacetime to wartime industry must involve extensions of plant and equipment of which the post-war utility and value must be highly problematical. Moreover, the total volume of long-term financing involved by the sudden expansion of war industry was too large to have been handled by the normal machinery of the capital market. The conversion has, in addition, involved a large number of small firms whose size, record and paucity of resources would have effectively barred their way to the new issue market. From the start it was evident that the only solution to the problem would be for the Government to come to the rescue. In framing its industrial war plans,

it had to initiate investment. By its tap issues of securities to the public, it acted as the channel between national savings and the direct investment of part of those savings in the industrial war effort.

This position was immediately recognised in the matter of the provision of long-term capital. The need for immediate Government intervention in this direction was enhanced by the raising of Excess Profits Tax to an effective rate of 100 per cent. This tax has encroached on current profits which have in the past been the main source for financing plant extensions, renovation of machinery and other development. Many firms involved in the war effort were in the depressed engineering group before the war and thus entered upon their period of wartime activity with exceptionally low EPT standards. Their tax burden is now so heavy as to leave next to no room for the remuneration of the capital employed or for financing plant extension. Other firms have been much more fortunate in this respect, and many concerns previously engaged in the more sheltered but, in time of war, inessential section of industry, which are now engaged in armaments work, find themselves with EPT standards which leave them with a fair margin of resources wherewith to meet the demands of capital development. But, even in such cases, it would be unreasonable to expect these firms to finance, at their own cost, permanent extensions whose peacetime value would be more than questionable.

Therefore, when a firm is called upon to erect additional plant and instal new machinery in order to enable it to meet the demands made upon it by one or other of the supply departments and when the extension in question is likely to have little post-war value for the firm, the Ministry concerned is prepared to build the factory, supply the machinery or provide the resources with which these capital extensions can be financed. The greater part of this kind of investment since the war has been done by the Ministry of Supply, but the Ministry of Aircraft Production and the Admiralty have also done their share. In such cases, the department concerned will keep the ownership of the plant. It will charge rent to the operating firm, calculating it as an element in determining the cost of the goods manufactured for the department. If the firm in question manufactures for private customers as well as for the Government, the rent for the Government owned plant will more easily be discharged by direct monetary payments; thus the complicated calculation of the proportion of the plant that is being used for Government purposes is avoided. In many cases the cost of financing such capital extensions will be shared between the firm and the Ministry. The shares borne by each will obviously be limited by the resources

which the private concern has at its disposal; but, within this limit, they will, as far as possible, be determined by the prospective post-war value of the extension.

Thus, the arrangements for Government financing of fixed capital development by firms working wholly or partly on Government orders are extremely elastic and have, in fact, assumed an infinite variety of form. One feature which is common to nearly all these arrangements is that they grant the private firm an option to acquire the new plant and machinery at the end of the war. Wherever the Ministry of Supply has had to plan a production programme—starting from zero—involving perhaps a large number of contractors whose activities had to be co-ordinated and dovetailed to a fine degree of precision, the initiative and power of direction provided by the department's provision of fixed capital—in the shape of actual plant and machinery—have proved of the greatest value. This section of the Government's capitalistic activities has given very little cause for complaint. From the very beginning of the war, the urgent need for Government intervention of this kind was too obvious to be disregarded, and the machinery has functioned fairly smoothly almost from the start.

It is in the financing of the short-term credit needs of industry that friction has been most apparent. This fact may seem highly paradoxical. Unlike the new issue market, the banking system which provides for industry's working capital was not put out of commission by the Defence Regulations. Moreover, from the beginning of the war, the credit policy of the authorities was so framed as to give the banks an ample basis of cash on which to extend credit to the industries called upon to expand their activities in the course of their participation in the war effort. The authorities evidently argued on these lines, and consequently assumed that there would be no need for special Government intervention in the provision of war industry's needs of working capital. Yet many of the difficulties which stood in the way of the private financing of war industry's fixed capital requirements after the outbreak of the war were equally applicable to the extension of private banking credit to industry. Many of the firms caught up in the war effort were small, and their capital resources hardly entitled them to the volume of credit which they required under the new conditions. Even large firms found themselves desperately pressed for working capital, for it must not be forgotten that, in the early months of war, the supply departments had only the most rudimentary machinery for effecting payments to contractors. Inordinate delays in these payments were the rule rather than the exception, and the firms concerned, called upon to expand their output, to increase their stocks of raw materials, to increase their pay roll and yet deprived for abnormal periods of payment for the goods they supplied to the departments for which they worked, were compelled to ask their banks for accommodation on a scale out of all proportion to their own resources and to the security they could make available as collateral.

The banks did their best to cope with this inordinate expansion in the demand for credit from a specialised sector of their clientele. They relaxed their customary standards of credit worthiness, but, even so, large sectors of war industry found themselves hampered at every turn

by shortage of working capital in the first months of war. The position became steadily more difficult as the extensions of fixed capital financed by the Governments found their echo in a corresponding increase in industrial turnover, and therefore in the need for working capital. The banks extended their facilities, first, against the mere knowledge that the borrowing firms were working on Government contracts, then against progress certificates issued to these firms by ministry inspectors. After six months of war had passed, co-ordinating machinery was set up between the supply departments and the banks. Liaison officers were exchanged, and provided a valuable channel for exchange of information and for the passing on of complaints by industry regarding inadequacy of working capital. But by the very nature of this machinery it could not tackle more than a fraction of the problem. The whole range of sub-contracting work was left largely outside its scope.

Gradually, there evolved the system of progress payments which is now the main channel through which flow the supplies of working capital required by war industry. Under this system, it is in effect the Ministry concerned which becomes banker. Under its contracts, the Ministry of Supply undertakes to pay up to 90 per cent of the total expenditure incurred by the contractor in monthly instalments. One of the conditions to be fulfilled before these periodic payments are made is a certified assurance that all charges for materials and for subcontracted work are being duly met. Thus, the progress payments made by the Ministry are the flow of credit out of which, not merely the contractors, but also the whole range of sub-contractors are financed. The extension of this system has naturally limited the role of the banks in financing the vast volume of war production. In large measure their task is now to tide firms over the comparatively small periods bridging the progress payments. It is in this fact that must be found the explanation of the surprisingly sharp fall in bank loans and advances since the beginning of the war. At first that movement was to be interpreted in terms of the temporary seizing up of the machine for the distribution of credit to war industries. Beyond that it was intensified by the inevitable restriction of civilian and inessential industries, by the running down of stocks, and by the repayment of personal loans. But, had it not been for progress payments, a point would long ago have been reached at which the increased industrial turnover for which working capital must be found would have more than neutralised the many factors making for a contraction in the demand for bank credit, and the total of these advances would have recovered the ground lost in the first year of war.

Nor has it only been a question of money credit. Working capital has been granted by Government departments on "real" terms comparable to those on which fixed capital is provided. It has become a general practice for the departments concerned to make "free issues" of materials and components to the firms working for them. To this extent these firms are not called upon to finance their purchases of raw materials and the stocks which they normally maintain. The repayment of these free issue loans is effected through the appropriate adjustment of the price of the manufactured articles delivered to the departments.

The Diversion of Bank Deposits

A REVIEW of the banking year which ended on June 30th this year falls naturally into two parts. The first six months, up to December 31, 1941, saw bank credit still expanding at the steady pace maintained since the outbreak of the war. In the subsequent six months, the curve measuring the growth of bank credit suddenly flattened out. During the first of these periods, the total deposits of the London clearing banks rose from £2,946 millions to £3,329 millions. By June 30th the total had fallen back to £3,263 millions and in the interim had

touched a low point of £3,072 millions in March. The only causal factor in the growth of bank credit since the outbreak of war has been the covering of the budgetary deficit by borrowing which, directly or indirectly, has been provided by the banking system. It would, therefore, seem reasonable to look for the explanation of the changed trend of bank credit in a reduction in the deficit to be financed. But the facts do not support this assumption. The explanation must rather be sought in a redistribution in the sources of Treasury borrowing and, in particular,

in the issue of tax reserve certificates. The issue of these certificates began in December last year and this development thus serves as an exact dividing line between the two phases of bank credit history in 1941-42.

Tax reserve certificates are by their nature intended to attract funds which, but for them, would have been left on deposit with banks in anticipation of future tax payments. Up to June 30th this year £282 millions of these certificates had been taken up by the public. If this total is added to the total of bank deposits on June 30th, the resulting figure would indicate an expansion in deposits over the second six-monthly period of 1941-42 approaching the increase which took place in the first six-monthly period, that is, in the second half of 1941. If this diversion of bank deposits into tax reserve certificates is allowed for, it is possible to say that in spite of the flattening in the curve of bank credit during the six months to June 30th, the forces making for credit expansion continued to operate with almost unabated strength.

It would be wrong, however, to push this relationship between bank deposits and the issue of tax reserve certificates too far. Tax reserve certificates are issued on terms so favourable to certain classes of subscribers that they so attract not only funds which would otherwise have piled up as bank deposits, but also substantial amounts which would have been invested in short to medium-term Government securities. Given the special conditions attaching to the encashment of tax reserve certificates, the total maximum amount outstanding at any particular time must be related to the tax liabilities which these securities are intended to meet. But that maximum is probably well in excess of the amount which the taxpayers in question would actually have immobilised in their bank accounts in anticipation of the incidence of these tax liabilities. This is because the tax-free accumulation of interest on the certificates and the exclusion of that interest from profits assessable for EPT make the gross yield on the certificates exceptionally attractive to payers of EPT or

surtax, and correspondingly onerous to the Treasury.

It is likely that, during the first six months of issue, these tax reserve certificates fully absorbed the bank deposits held in anticipation of tax payments. This means that any further increase in the outstanding amount of tax reserve certificates will, in the main, indicate a diversion to these certificates, not of bank deposits, but of funds which otherwise would have gone into the more liquid but less attractive Government securities. It also means that, for all practical purposes, the movements in bank deposits from June 30, 1942, onwards can again be viewed independently of the tax reserve certificate factor. The only reservation that should be made is that, so far as the corpus of income assessable to tax—and in particular to EPT and surtax—fluctuates, it may be assumed that accompanying variations in the subscriptions to tax reserve certificates will reflect what would otherwise have been changes in the taxpayers' holdings of bank deposits. The bearing of this particular factor in the future may, however, be regarded as of minor importance.

The type of deposit withdrawn from the banks in order to take up tax reserve certificates is such that the banks would be fully justified in balancing a substantial part of this movement by allowing liquid assets to run off. This is what has, in fact, occurred. The clearing banks' ratio of liquid assets (cash, short loans, bills and TDR's) to deposits, which stood at 38.4 per cent on June 30, 1941, and had risen to the inordinately high level of 43.1 per cent by the end of the year, was down to 40.9 per cent by June 30th this year. These figures are appreciably above the normal pre-war ratio. The justification for this must be found, not so much in a change in the character of deposits calling for greater liquidity, but rather in the understandable reluctance of the banking system to plunge more deeply into longer term Government securities than they have already had to do. With advances falling steadily—a movement com-

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mented on in the preceding article—investments have been the only alternative method of employing the banks' expanding resources, other than running up more liquid, but far less remunerative, assets. It is true that on June 30th this year current accounts represented as much as 66 per cent of the clearing banks' total deposits compared with an average of 56 per cent for the year 1939. But this alone would not have justified more than a small fraction of the increased liquidity in the distribution of the banks' assets.

The growth in the banks' investments has thus been guided by considerations other than regard for the normal distribution of assets between liquid and other items. The main consideration was probably that of securing reasonable stability of earning power. It is unlikely that, in the long run, the banks' investment policy will be appreciably affected by the change in the national saving movements technique announced towards the middle of this year. The essence of this change is that large institutional subscriptions to Government issues, such as those from banks and insurance companies, are no longer classed for inclusion among the current savings figures under special schemes sponsored by the National Savings Committee. This means that the banks will no longer be badgered and bullied into supporting local "warships" or similar weeks. But it is more than questionable whether this "bullying" had any permanent impact on investment decisions. It merely tended to anticipate or postpone purchases of securities so as to make them fall in the particular week for which the banks' support was sought. It is certainly significant that, in July this year, the first month after the announcement of the change in question, the clearing banks should have shown the biggest jump in investments recorded since London's Warships Week.

Perhaps the most interesting of the changes in bank assets during the past twelve months have been the wide and, on occasion, contrasting fluctuations in bills and Treasury deposit receipts. The holding of bills rose from £193 millions on June 30, 1941, to £292 millions on June 30, 1942. But, in the intervening period, they had risen as high as £315 millions in September, 1941, and fallen as low as £111 millions in February, 1942. The unprecedentedly steep running down in the bill portfolio which occurred in the final quarter of last year was accompanied by an even larger increase in the holding of TDR's. These movements illustrate a certain clash between the Treasury's floating debt policy and the banks' policy of assets distribution. From the Treasury's point of view

it is in the Treasury deposit receipt that the truly live and elastic element in floating debt borrowing is now to be found. But, to the banks, elasticity is not the foremost quality that can be claimed for this new type of liquid asset. It can, it is true, be encashed, but only against the banks' or their customers' subscriptions to one of the tap issues of Government securities. This encashment cannot, therefore, be used to restore an endangered cash position. The unconditional rediscounting of TDR's at the Bank of England would be too expensive, and perhaps too undignified, a procedure to commend itself to the banks, except on very abnormal occasions. It follows, therefore, that it is by varying their short loans and, more particularly, their holdings of bills, that the banks tend to stabilise their cash position. Discount operations now consist almost wholly of Treasury bills. The weekly issue of Treasury bills is more or less fixed at £75 millions, and the proportion going to the market has for the past year proved comparatively stable. It follows, therefore, that the discount market has had to meet the impact of very considerable fluctuations in the banks' demand for bills while receiving a fairly steady stream of bills from the weekly tenders. There is no evidence to suggest that these fluctuations in the market's main outlet for bills have been compensated by corresponding changes in the volume of bills held by the market. If that had been the case the banks' short loans to the market would have reflected these variations—since the discount market now runs the bulk of its bill holding with clearing bank loans, just as it runs the bulk of its bond holdings with non-clearing bank money. But the total of short loans of the clearing banks has only varied within small limits over the twelve months in question. On June 30, 1941, it stood at £143 millions; it had fallen to £118 millions in January, 1942, and had recovered to £147 millions on June 30th last. In fact, short loans were falling, and not rising, at the time when the decline in the banks' bill holding was at its steepest. The answer to the paradox is provided by the activities of the authorities in the discount market. It was either the Bank of England or the public departments, acting through the official agents, who took from the market the Treasury bills which the houses concerned could not sell to the clearing banks. In addition it may well have been direct official purchases of bills from the clearing banks which were in part responsible for the exceptionally steep fall in the banks' bill holding between September, 1941, and February, 1942. Conversely, official direct sales may have played some part in the subsequent recovery.

Soviet Banking

THE rôle of banking within the framework of the Soviet economy has been greatly reduced by the course of the war. The most important functions of the Soviet system of credit have been largely brought to a standstill and the position in banking is now in many respects the same as it was in the early period of the Soviet regime. Figures relating to banking operations were very rarely published even in peacetime, and they have been unavailable since the outbreak of war. But the briefest consideration of the rôle of credit in the planned economy of Russia shows at once that the war must have relegated the whole of the banking apparatus to the background.

The chief feature of Soviet war finance is the absence of any financial technique in the accepted meaning of the word. All the industrial resources of the country are owned by the State. The Government's command over raw materials, machinery and labour is almost unlimited. War industries work on the basis of governmental orders and allocations. No acts of purchase enter at any stage of the process, except in agriculture. The whole of the country's industry forms, to all intents and purposes, one huge combine under a single command; the various

branches of industry are simply interdependent departments of that combine. Masses of raw materials, semi-manufactured products, manufactured goods and labour are shifted from one department to another without any change of ownership. Where there are no acts of purchase, there should be no need to acquire purchasing power in any form, and particularly in the form of credit.

In theory, the position was the same in peacetime. This gave rise to the notion of a moneyless economy, in which there should be no room left for banking operations. Planning and the direct allocation of goods to trusts, factories and individuals, has, in theory remained the ultimate goal towards which the economic life of the Soviets is supposed to be steadily developing. But, in peacetime, the gap between theory and practice was very wide. Money "withered away" only to a limited extent; and, before the war, credit operations were still carried out on a large scale. But the functions of the Soviet system of credit were very different from those performed by banking in the rest of the world. Credit was used, first, as a means of securing the proper proportion between investments in various branches of the

national economy; secondly, it was used as a means of controlling the productive efficiency of industrial establishments.

During the early period of planned industrialisation (up to 1932), there was a general scramble for raw materials and machinery between the managements of various industries. Over-investment in capital goods, the accumulation of unduly large stocks and consequently enormous immobilisation of working capital occurred in some branches of industry, while in others plans were obstructed by inadequate supplies of machinery and raw materials. Towards the end of the first Five Year Plan, the structure of the planned economy was threatened with disruption. A thorough-going reform of industrial accountancy and credit provided the remedy. Individual establishments, as well as trusts, were compelled to work on the basis of a profit and loss account. Credit facilities were strictly limited. The banks were forbidden to give any short-term credits in which a monopoly was given to the Gosbank (the Central State Bank). The other state banks were allotted special spheres of long-term credit. The Prombank (Bank for Industry) specialised in financing industrial investment in capital goods. The Selkhozbank (Bank for Agriculture) performed the same function in agriculture; the Co-operative Bank supplied long-term credit to the network of co-operative retail shops; and the Communal Bank provided the means for investment in public utilities. All these banks derived their funds from their customers' compulsory deposits and from budgetary grants. They were all, in their turn, obliged to keep balances with the Central Bank, which thus possessed complete control over the country's industrial activities. The Gosbank worked in close contact with the Gosplan, the State Planning Committee, and subordinated credit policy to the requirements of the general economic plan. Thus, during the second and third Five Year Plans, a better equilibrium between investment in various industrial branches was secured.

The anxiety to maintain the right proportions between various productive branches has, of necessity, enormously diminished since the war. So has the rôle of credit which was mainly a means of maintaining these proportions. The loss of raw materials and manufacturing capacity, as well as the evacuation of industries, has caused such tremendous dislocations that all previous proportions have been utterly upset. Even the factories established in the eastern reception areas before the war could hardly stick to any normal business standards; they have had to share their stocks of raw materials, their machinery and labour with the evacuated units. The main preoccupation has been to squeeze out the maximum of war implements from every plant within the shortest possible time by

every *ad hoc* means. Inhibitions of a financial nature would only cause undue delays in production and supply. The Soviet press has, in fact, reported cases in which industrial managers were reluctant to share their raw materials or machinery with evacuated plants; they were apparently afraid of transgressing upon the peacetime conditions of finance and credit—credit between various industrial establishments was then strictly forbidden. But such inhibitions have been overcome by the all-round militarisation of industry, by the direct pooling and allocation of resources and so forth.

The Prombank used to provide long-term money mainly through trusts which distributed it among individual establishments. But the structure of most of the trusts has been disrupted in the course of the war. Evacuated plants had to improvise new business links with new concerns, paying no heed to any money or credit aspects of their work. The Bank for Agriculture has actually lost its *raison d'être*, since no long-term investment in agriculture can possibly have been made. The same applies to the Co-operative Bank and to the Communal Bank. The demand for short-term credit, on the other hand, must have grown considerably. The wages bill of the eastern industries must have grown, as a result of the industrial evacuation, beyond their normal cash and credit reserves. It is possible, therefore, that the above-mentioned banks have had to switch over from long-term to short-term credit and to intervene in fields from which they were barred before the war. But the main pressure has almost certainly been brought to bear on the Gosbank, which specialised in short-term credit previously.

The only type of Soviet bank which has been able to work along more or less peacetime lines is the Savings Bank, although most of the sixty thousand local branches of the savings banks lay in the German occupied territories. It is said that during the first half of 1942 saving deposits grew by one milliard roubles, presumably after a substantial withdrawal of deposits during the second half of 1941. The savings banks have been instrumental in distributing the war lottery tickets and the war loan among their customers.

It seems feasible that, in spite of the abnormal conditions, no big increase in currency in circulation has taken place. The supply of raw materials and machinery has required hardly any outlay in money. The increase in currency, stimulated by a higher wages bill, has probably been to a large extent offset by the organisation of communal feeding inside the factories. The workers spend most of their wages at the shops or canteens of the Workers' Supply Departments, which are themselves parts of the factories. Thus, much of the money laid out in payment of wages returns, via the Supply Depart-

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ments, directly to the factory's cashier, who can use it again to cover the next wages bill. Moreover, inflation of prices resulting from a scarcity of goods rather than from an expansion in the currency can affect only the prices of foodstuffs in the limited private sector of retail trade. It should be remembered that Russia possesses a large

New Era in US Banking

(From Our New York Correspondent)

THE year just ended was a transitional one in American banking. It saw the termination of one major episode in the nation's financial history and the beginning of what is clearly destined to be a vastly different one.

With the depletion of British gold reserves, the passage of the Lend-Lease Act and the general freezing of foreign funds the gold movement began to slow down in 1941. The total of gold imports last year is not known, since the figures are no longer made public. It is known, however, that the nation's monetary gold stocks, which had risen by \$4,351 millions in 1940, increased by only \$742 millions in 1941; that in the second half of that year the increase was less than \$162 millions; and that in the eight months period November, 1941-June, 1942, there was an actual net decrease of \$63 millions.

But while the gold inflow did not subside to anything like normal proportions until the latter half of 1941, and did not come to a full standstill until the first half of 1942, the long period of almost uninterruptedly expanding excess reserves may be said to have ended in the week of October 23, 1940, when the high-water mark of surplus reserves, \$6,940 millions, was reported (though this figure was virtually repeated as late as January 15, 1941). The reason for this is that countervailing factors had been operative in the money market for some time, and that it was at the close of 1940 and the beginning of 1941 that these finally gained the upper hand over the dwindling gold movement as the dominant influence in the banking situation. These factors were deposits and currency circulation, both of which were, and are, expanding rapidly under the influence of the war effort. Roughly speaking, every increase of \$5 millions in deposits reduces

gold reserve, since the output of gold has been greatly increased in recent years. But the reserve has not been used as cover for the rouble; it has rather been accumulated as a sort of a war treasure. Both its size and the use to which it has been put are, however, a closely guarded secret.

excess reserves by \$1 million, while currency expansion produces a dollar-for-dollar contraction.

Demand deposits of the reporting member banks of the Reserve system (which represent about 70 per cent of the total of all member banks and 60 per cent of member and non-member banks combined) have expanded by almost \$5 billions in the two-year period, June, 1940-June, 1942. At the same time currency in circulation has been increasing at an unprecedented rate, rising from \$7,780 millions at the end of June two years ago, when the all-out defence effort began, to \$12,231 millions on the corresponding date this year. This two-year increase is only \$185 millions less than the entire currency circulation in the middle of prosperous 1929. Even during the banking moratorium in 1933, when the country was for a time on a hand-to-hand currency basis, circulation never rose above \$7,538 millions.

An interesting point to be observed in connection with the rise in bank deposits is that, whereas they had for some time past been outrunning loans and investments, the reverse is now true. This is because the causal factor behind their expansion to-day is to be found in loans and investments, rather than gold imports, as had been the case earlier. The rise in these combined items between June, 1940, and the middle of this year, as shown in the figures of the reporting member banks, was \$8,006 millions. In the first twelve months of the defence effort loans accounted for 40 per cent of this expansion; but, as the Government took over more and more of the financing of the war, they rapidly receded in importance. The expansion of loans came to an end, for the time being at least, in the week of March 18th of this year at \$11,446 millions. The end of June found them standing at \$10,718 millions. Meanwhile, purchases of Government securities have continued to rise rapidly. In the twelve months ended June 24th last, holdings of the reporting member banks increased by more than \$3 billions.

The net result of all these factors has been a spectacular reversal in the trend of excess bank reserves. As has been noted above, this item reached its peak between October, 1940, and January, 1941, when it ranged around the \$6,900 millions level. By June 25, 1941, it had fallen to \$5,150 millions and by June 24th of this year to \$2,650 millions. This is a contraction of \$4,290 millions, or 62 per cent, in approximately a year and a half.

Measured by the standards of any period but that of the last half-dozen years, this would still represent a very handsome over-supply of banking funds. But there are two circumstances which make the situation unusual. One is that the decline in reserves has been accentuated by the fact that the fall in New York City, the country's chief money market, has been disproportionately large. The other is that this declining trend comes at a time when the money market is faced with the greatest credit expansion in its history. Whereas excess reserves for the country as a whole had fallen, at the end of June, by 62 per cent, those for the New York banks alone had fallen from \$3,675 millions to \$485 millions, or 86 per cent. (They touched \$190 millions on July 15th.) The principal reasons why the New York banks have been hardest hit are two. One is that they have suffered more than other banks from the halting of the gold movement since they are the principal dealers in gold internationally. The other is that, in the course of the war effort, a substantial portion of

the money raised there by the Treasury is disbursed in other sections of the country.

The problem that the banking system faces during the coming year in underwriting the war effort can be summed up in a few figures. Government expenditures for the fiscal year ending June 30th next are estimated at \$73,141 millions. Of this total, \$47,397 millions will have to be publicly financed, and roughly \$30,000 millions of that will have to be financed through the banks. That is to say, the banks will be called upon to absorb \$30,000 millions of Government paper. This means that—again speaking in general terms—even if there should be no further drain on excess reserves through loans and currency expansion, the banks face a deposit increase in the current fiscal year of \$30,000 millions. This would call for an increase in reserves of about \$6,000 millions on top of the existing \$2,650 millions.

RESERVE BANK AND TREASURY ITEMS

	June 25, 1941	Dec. 24, 1941	June 24, 1942
US Securities	2,184	2,243	2,583
Gold Stocks	22,620	22,750	22,735
Gold Certificates	20,314	20,515	20,550
Member Bank Balances	12,985	12,447	12,523
Of Which Excess Reserves	5,150	3,060	2,650
Non-Member Bank Balances	2,186	1,719	1,661
Treasury Balances	1,081	908	139
Money in Circulation	9,490	11,224	12,231
Of Which Federal Reserve Notes	6,663	8,202	9,254

REPORTING MEMBER BANKS

	June 25, 1941	Dec. 24, 1941	June 24, 1942
Total Loans and Investments	28,279	30,293	31,587
Total Loans	10,324	11,442	10,718
Of Which Commercial Loans	9,385	10,488	9,874
US and Guaranteed Securities	14,304	15,173	17,361
Other Investments	3,651	3,678	3,508
Demand Deposits	24,046	23,994	25,948

NEW YORK BANKS

	June 25, 1941	Dec. 24, 1941	June 24, 1942
Total Loans and Investments	11,812	12,275	12,538
Total Loans	3,433	3,819	3,678
Of Which Commercial Loans	2,920	2,232	11,332
US and Guaranteed Securities	6,977	7,001	7,587
Other Investments	1,402	1,455	1,303
Demand Deposits	10,986	10,164	10,620

The three main possible approaches to the problem are (1) open market operations by the Federal Reserve banks, (2) easing the reserve position of the member banks by lowering the percentage of reserves required against deposits, and (3) borrowing by the member banks at the Reserve institutions. (The Reserve banks hold the bulk of the country's huge monetary gold stock, or claims upon it, and they could use this as a reserve sufficient to meet any need within the realm of probability.) The banking authorities have already begun to move on the problem. In the first place they have acted to increase the supply of short-term highly liquid investment that can be converted into cash quickly and without loss, thus enabling the banks to adjust their positions quickly and to make fuller use of their funds. The Treasury has increased its weekly bill offerings from \$150 millions to \$350 millions weekly and has sold approximately \$3,100 millions in certificates of indebtedness in recent months. Supplementing this move, the Federal Reserve has committed itself to buying all bills offered at a discount of $\frac{1}{8}$ per cent. In the second place, the Reserve has indulged in open market operations designed to offset losses in excess reserves resulting from increases in currency and other factors. Between April 8th and June 24th of this year it had increased its

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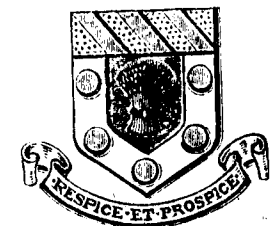
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holdings of Government securities by \$339 millions, and further purchases since then have raised the total to \$1,059 millions, giving the Reserve banks holdings of \$3,298 millions, the largest total in their history. Finally, there has just been passed by Congress and signed by the President (July 7th) a measure sponsored by the Reserve

The Defence of the Pound

THREE years of war have witnessed the gradual evolution of the highly efficient machine which at present controls the foreign exchanges. The outbreak of war found the British Treasury prepared with plans to build up a financial front in defence of the pound, and all dealings in the principal foreign currencies were centralised at the Bank of England. But the task of defending the pound could not be confined to sterling, and the Treasury's plans were framed to include the currencies of the Dominions and Colonies, with the exception of Canada, Newfoundland and Hongkong. Thus, the sterling area was constituted, within which the freedom of exchange was to continue unchanged. To synchronise and co-ordinate exchange regulations between these wide and diversified territories and the outside world was a vast undertaking requiring delicate negotiations and calling for a high degree of skill and co-operation. It took bankers, merchants and others some time to adapt themselves to the new procedures imposed upon them by the Defence (Finance) Regulations. But the early part of 1940 saw the original blue print working tolerably well.

Meanwhile, certain weaknesses had become apparent, one of which had caused sterling to be quoted at a discount in various foreign countries. To correct this, and also further to facilitate payments between the sterling area and the outside world, financial agreements were negotiated with individual countries. Accordingly, there followed the system of Registered Accounts with the United States dollar area and Switzerland, and Special Accounts with most of the remaining countries outside the sterling area. With very few exceptions, a common feature of these arrangements was that payments were restricted bilaterally between the sterling area and the respective Registered Account or Special Account country. Another weakness centred on the problem of securing the full proceeds of exports, for although the original regulations ordered residents to surrender to the Treasury the specified currencies in their possession, it was found in practice that the regulations, as framed, did not cover fully the various methods of receiving payment open to exporters. Therefore, in March, 1940, the regulations were tightened up, and a new procedure was introduced which stipulated definite methods of payment in the "hard" currencies against the export to specified destinations of whisky, furs, tin, rubber, diamonds and jute, in which commodities the sterling area was then in a favourable position as a world supplier. Similar arrangements were also applied by the Dominion and Colonial Controls concerned with the export of these commodities. Subsequently, the basis of this procedure was adapted and enlarged to cover the proceeds of all exports to the Registered and Special Account countries and also to Canada and Newfoundland, and the specified methods of payment were made to dovetail into the relative payment agreements of the country concerned. As the Special Account arrangements were extended until they covered most of the trading world, so were the proceeds of exports further netted to add to the pool of exchange required to help pay for the imports necessary to the war effort.

The Registered and Special Account procedures could not conveniently be applied to the many individual non-residents who, for various reasons, maintained banking accounts in the sterling area; in most instances, therefore, they were given the option of maintaining Sterling Area Accounts. These accounts could be fed with funds accruing to them from the sterling area in the form of

Board and the Treasury which authorises the former to reduce reserve requirements in the central reserve cities without necessarily changing the requirements of the rest of the country. The effect of this will be to give the Reserve authorities the power to apply relief where and when it is most urgently needed.

salaries, pensions, dividends, rents and similar items of an income nature. On the other hand, out of these accounts they were permitted, within the sterling area, to make payments in respect of insurance premiums, payments to dependants, school fees, charitable donations and similar outgoings. The Sterling Area Account was, therefore, a brief title for the Internal Account of a Non-Resident. Credit balances on these accounts, however, are normally available for transfer to the holders in the countries of their domicile.

Another step taken in defence of the pound led to restrictions being placed on capital transfers in favour of non-residents. Already in May, 1940, sales of securities belonging to non-residents were prohibited, and in November, 1940, all forms of capital repatriation were disallowed, except proceeds arising from the sale of National Savings Certificates, 3 per cent Defence Bonds and Treasury Bill maturities. Thereafter, all other items of a capital nature could only be credited to a Blocked Sterling Account, but balances on these accounts were available for investment in a specified list of British Government securities, and the payment of the interest accruing on these securities was permitted to the non-resident in the country of his domicile. With the conclusion of the blocked sterling arrangements the end of 1940 saw the structure of the British exchange control system completed.

During 1941, financial agreements with thirteen Central American countries were concluded whereby they were treated as a group in respect of exchange transactions with the sterling area. These arrangements brought into being another new type of sterling account called Central American Accounts. Otherwise, there are no further major additions to the regulations to record, and such subsequent changes as have been enacted have been in the nature of amendments and clarifications which the light of experience and changing circumstances have found necessary. Another and welcome improvement in the organisation was the codification, in some instances, of the many instructions which had accumulated in the hands of bankers. The various types of application forms have also been reduced in number by the introduction of composite forms.

An altogether different but important feature, particularly noticeable to bankers, has been the reduced turnover of exchange. This was partly the result of the German occupation of Europe and Japan's conquests in the Far East; but by far the most significant factor, which especially affected payments for imports, was the passing of the Lend-Lease Act. Similarly, Canada's generous gift of \$1,000 millions and other financial assistance led to a reduction in the demand for Canadian dollars.

All exchange forms with their detailed information eventually return to rest at the Bank of England, and if a movement of goods is concerned a duplicate goes to the Customs authorities. It is known that very elaborate statistics are compiled from these forms, which, together with the many detailed returns rendered by the banks, should provide the authorities with useful data and vital information on the exchange aspect of wartime economy. This knowledge is essential in the tailoring of the economic straitjacket necessitated by war, and the experience gained may serve as a guide for the post-war future, when it appears to be generally admitted that controlled exchanges in some shape or form must inevitably continue for a time.

PROFITS OF BRITISH BANKS FOR LAST COMPLETED FINANCIAL YEAR

PROFITS OF BRITISH BANKS										
BANK	Year Ended	Profits	Dividend	Rate	Reserve	Premises	Staff	To Carry Forward		Profits a Year Ago
								Increase	Decrease	
ENGLISH										
	1941	£	£	10 A 10; B & C 14	£	£	£	£	£	£
Barclays	Dec. 31	1,353,303	1,041,468	5	200,000	150,000	...	...	38,165	1,525,665
	Dec. 31	20,441	9,000	10	5,000	100	2,000	4,341	...	19,054
British Mutual	Dec. 31	417,285	259,673	18 A 18; B 10	...	60,000	80,000	17,612	...	446,018
District	Dec. 31	1,274,200	915,153	12 A 12; B 5	350,000	...	...	9,047	...	1,383,807
Lloyds	Dec. 31	587,248	312,003	15	150,000	...	100,000	25,245	...	891,029
Martins	Dec. 31	1,969,288	1,212,690	16	500,000	250,000	150,000	6,598	3,172	1,933,093
Midland	Dec. 31	1,057,784	710,956	15	100,000	100,000	300,000	...	...	1,697,539
National Provincial	Dec. 31	1,189,696	776,962	18 A 18; B 12 1/2	...	100,000	300,000	12,734	...	1,310,630
Westminster	Dec. 31	184,170	117,188	12 1/2	100,000	30,000	...	...	63,018	292,673
Williams Deacon's	Dec. 31	184,170	117,188	12 1/2	100,000	30,000	...	...	63,018	292,673
Totals		8,053,415	5,355,093	...	1,405,000	690,100	632,000	75,577	104,355	9,499,508
SCOTTISH										
	1942									
Bank of Scotland	Feb. 28	232,645	132,000	11	70,000	...	30,000	645	...	253,905
British Linen	Jan. 15	204,283	100,000	16	50,000	25,000	30,000	...	717	231,684
	1941									
Clydesdale	Dec. 31	315,866	208,000	16 A 15; B 10	50,000	20,000	40,000	...	2,134	310,064
Commercial of Scotland	Oct. 31	298,241	156,250	15 A 15; B 10	75,000	20,000	50,000	...	3,009	332,700
National of Scotland	Nov. 1	262,190	98,000	16 A 16; B 15	100,000	25,000	35,000	4,190	...	279,435
North of Scotland	Dec. 31	215,134	182,560	16	15,000	3,500	15,000	...	926	215,345
Royal of Scotland	Oct. 11	491,522	361,250	17	70,272	30,000	30,000	...	...	557,359
Union of Scotland	1942 Apr. 2	304,400	216,000	18	50,000	10,000	25,000	3,400	...	298,481
Totals		2,324,281	1,454,060	...	480,272	133,500	255,000	8,235	6,786	2,478,973
IRISH										
	1941									
Bank of Ireland	Dec. 31	323,680	220,673	12 1/2	100,000	...	...	3,007	...	338,666
Belfast Banking	Dec. 31	83,388	44,000	11	...	...	...	39,388	...	91,028
Hibernian	Dec. 31	62,443	55,000	11	...	7,500	...	...	57	65,376
Munster and Leinster	Dec. 31	106,788	67,500	9	22,500	10,000	10,000	...	3,212	118,175
National	Dec. 31	169,574	150,000	10	20,000	...	...	...	426	176,123
Northern	Dec. 31	50,170	29,688	9 1/2 A 9 1/2; B 4 1/2	20,000	...	...	482	...	65,819
Provincial	Dec. 31	48,063	27,000	10	20,000	...	...	1,063	...	59,558
Royal	Dec. 31	27,694	11,475	6	15,000	...	...	1,219	...	30,589
Ulster	Dec. 31	132,494	90,000	18	50,000	...	...	7,506	...	134,616
Totals		1,004,294	695,336	...	247,500	17,500	10,000	45,159	11,201	1,079,950

STOCKHOLMS ENSKILDA BANK

AKTIEBOLAG

STOCKHOLM

Established in 1856

Capital: 100,000,000 Kronor

TELEGRAPHIC ADDRESS:
NITTON-STOCKHOLMHEAD OFFICE:
STOCKHOLM 16

AKTIEBOLAGET

GÖTEBORGS BANK

ESTABLISHED 1848.

Paid-up Capital and Reserves - - - - Kr.58.125.000 :-

Main Offices: GOTHENBURG AND STOCKHOLM

84 Branches in Middle and South Sweden.

Telegraphic Address: GOTABANK.

The Bank, through long experience and good connections within all spheres of Swedish trade and industry, is well equipped to participate in the financing of Swedish Exports and Imports.

COMPLETE BANKING FACILITIES

BANK OF ENGLAND
END OF YEAR POSITION

Last Return of Year	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS					
		Capital	Per Cent.	Rest	Per Cent.	Note Circulation	Per Cent.	Post Bills	Per Cent.	Deposits	Per Cent.		Coin and Bullion	Per Cent.	Govt. Securities	Per Cent.	Other Securities	Per Cent.
1920 ...	10	14,553,000	4.3	3,338,587	1.0	132,851,150	39.0	7,639	...	189,859,334	55.7	340,610,710	128,267,670	37.6	126,314,798	37.2	86,028,242	25.2
1925 ...	10	14,553,000	4.4	3,344,666	1.1	144,730,510	43.6	2,021	...	169,044,292	51.0	331,674,489	144,556,367	43.6	83,837,526	25.3	103,280,596	31.1
1930 ...	9	14,553,000	2.7	3,400,255	0.6	368,801,566	65.5	1,264	...	175,189,157	31.2	561,945,242	152,640,787	27.2	325,174,789	57.8	84,129,666	15.0
1932 ...	9	14,553,000	2.7	3,430,663	0.6	371,193,057	69.4	1,510	...	145,035,194	27.2	534,213,324	124,309,107	23.3	368,598,410	69.0	41,305,807	7.7
1933 ...	9	14,553,000	2.5	3,421,526	0.6	391,981,946	68.7	1,429	...	159,916,147	28.2	569,873,948	195,228,035	34.3	342,245,007	60.0	32,400,906	5.7
1934 ...	9	14,553,000	2.6	3,436,737	0.6	405,163,800	72.5	...	...	131,422,521	24.3	558,576,058	195,234,129	35.0	344,114,924	61.6	32,400,906	5.7
1935 ...	9	14,553,000	2.6	3,428,981	0.6	424,506,785	75.3	...	...	121,335,662	21.5	563,822,428	201,914,149	35.8	339,211,232	60.2	22,697,047	4.0
1936 ...	9	14,553,000	2.1	3,451,737	0.5	467,406,210	67.5	...	...	202,185,316	29.9	687,317,263	314,223,879	45.7	334,332,960	48.6	38,760,424	5.7
1937 ...	9	14,553,000	2.1	3,441,663	0.5	505,317,131	73.0	...	...	168,591,894	24.4	691,903,588	327,243,763	47.2	334,300,927	48.4	30,358,898	4.4
1938 ...	9	14,553,000	2.2	3,413,438	0.5	504,726,803	74.6	...	...	153,719,303	22.7	676,412,538	327,486,956	48.4	298,881,653	44.2	50,043,929	7.4
1939 ...	9	14,553,000	1.9	3,362,072	0.5	554,615,983	72.8	...	...	189,080,914	24.8	761,611,969	1,156,056	0.1	727,806,514	95.6	31,885,971	4.2
1940 ...	9	14,553,000	1.7	3,313,330	0.4	616,904,239	74.0	...	...	199,465,436	23.9	834,236,005	1,156,056	0.1	804,903,266	96.5	28,176,683	3.4
1941 ...	9	14,553,000	1.4	3,297,346	0.3	751,725,865	71.3	...	...	285,164,092	27.0	1,054,740,303	556,270	0.1	1,018,581,594	96.5	35,602,439	3.4

BANK RATE SINCE 1858

Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average
1858 ...	6	6	4	5.4	1879 ...	5	5	5	5.0	1900 ...	6	6	3	4.5	1921 ...	4	5	3	4.2
1859 ...	5	6	4	5.4	1880 ...	2	6	5	5.5	1901 ...	6	6	3	4.5	1922 ...	4	5	3	4.2
1860 ...	11	6	4	5.4	1881 ...	2	6	5	5.5	1902 ...	6	6	3	4.5	1923 ...	4	5	3	4.2
1861 ...	11	8	5	6.4	1882 ...	6	6	5	5.5	1903 ...	3	4	3	3.5	1924 ...	1	4	3	3.9
1862 ...	5	8	5	6.4	1883 ...	6	6	5	5.5	1904 ...	3	4	3	3.5	1925 ...	None	4	4	4.0
1863 ...	12	8	5	6.4	1884 ...	7	5	5	5.2	1905 ...	3	4	3	3.5	1926 ...	4	5	4	4.1
1864 ...	15	8	5	6.4	1885 ...	7	5	5	5.2	1906 ...	6	6	3	4.0	1927 ...	None	5	5	5.0
1865 ...	16	7	5	6.4	1886 ...	7	5	5	5.2	1907 ...	7	7	4	4.8	1928 ...	1	5	4	4.3
1866 ...	14	7	5	6.4	1887 ...	7	5	5	5.2	1908 ...	6	6	3	4.0	1929 ...	None	5	4	4.0
1867 ...	14	7	5	6.4	1888 ...	7	5	5	5.2	1909 ...	6	6	3	4.0	1930 ...	4	5	4	4.1
1868 ...	14	7	5	6.4	1889 ...	11	6	5	5.5	1910 ...	6	6	3	4.0	1931 ...	4	5	4	4.1
1869 ...	7	7	5	6.4	1890 ...	11	6	5	5.5	1911 ...	6	6	3	4.0	1932 ...	6	6	5	5.0
1870 ...	10	6	5	6.4	1891 ...	12	6	5	5.5	1912 ...	4	5	3	3.5	1933 ...	None	2	2	2.0
1871 ...	10	6	5	6.4	1892 ...	4	5	5	5.5	1913 ...	2	5	4	4.0	1934 ...	None	2	2	2.0
1872 ...	14	7	5	6.4	1893 ...	12	5	5	5.5	1914 ...	8	10	3	4.0	1935 ...	None	2	2	2.0
1873 ...	24	9	5	6.4	1894 ...	2	5	5	5.5	1915 ...	None	5	5	5.0	1936 ...	None	2	2	2.0
1874 ...	13	6	5	6.4	1895 ...	None	2	2	2.0	1916 ...	1	6	5	5.0	1937 ...	None	2	2	2.0
1875 ...	12	6	5	6.4	1896 ...	3	4	4	4.0	1917 ...	2	6	5	5.0	1938 ...	None	2	2	2.0
1876 ...	5	5	5	5.0	1897 ...	6	4	4	4.0	1918 ...	None	5	5	5.0	1939 ...	None	2	2	2.0
1877 ...	5	5	5	5.0	1898 ...	6	4	4	4.0	1919 ...	1	6	5	5.0	1940 ...	None	2	2	2.0
1878 ...	10	6	5	6.4	1899 ...	6	6	5	5.5	1920 ...	1	7	6	6.4	1941 ...	None	2	2	2.0

POSITION OF THE BANK OF ENGLAND SEPTEMBER 17, 1941, TO
SEPTEMBER 9, 1942

(000's omitted)

Date	Issue Department		Banking Department			Bank Rate	Issue Department		Both Depts.	Banking Department			
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		Govt. Debt and Securities	Other Securities		Gold Coin and Bullion	Govt. Securities	Discounts and Advances	Other Securities
1941													
Sept. 17 ...	730,242	669,739	10,799	127,629	51,522	2	727,423	2,063	1,768	120,223	5,141	20,697	62,029
24 ...	730,242	671,393	10,637	133,916	52,239	2	727,466	2,018	1,872	129,058	4,603	20,702	60,480
Oct. 1 ...	730,242	677,774	12,427	122,336	54,644	2	727,430	2,063	1,757	124,583	3,668	25,247	53,963
8 ...	730,242	683,319	12,206	126,468	53,733	2	727,472	2,018	1,654	138,518	3,000	20,198	48,335
15 ...	730,242	686,063	11,127	128,218	54,394	2	727,478	2,012	1,657	141,948	2,805	21,047	45,594
22 ...	730,242	688,528	21,304	116,804	56,040	2	727,291	2,203	1,601	142,183	3,562	21,202	43,073
29 ...	730,242	693,327	13,723	116,962	57,678	2	727,329	2,160	1,538	135,993	4,496	27,351	38,210
Nov. 5 ...	730,242	699,949	10,531	120,013	54,862	2	727,256	2,228	1,442	144,343	4,319	23,555	31,492
12 ...	730,242	704,035	8,362	138,944	52,634	2	727,310	2,166	1,227	164,223	3,128	23,114	27,192
19 ...	730,242	706,697	10,619	120,348	52,971	2	727,173	2,315	1,092	150,878	3,032	23,070	24,395
26 ...	730,242	710,043	9,790	136,429	53,080	2	727,303	2,179	863	170,683	3,973	21,580	20,820
Dec. 3 ...	780,242	716,848	7,599	136,349	55,961	2	777,809	2,171	1,260	126,903	4,557	21,806	64,412
10 ...	780,242	726,592	7,766	129,044	55,764	2	777,880	2,101	1,079	128,868	4,117	22,889	54,487
17 ...	780,242	740,059	10,741	121,161	53,608	2	777,895	2,093	905	135,658	3,644	23,170	29,400
24 ...	780,242	751,245	9,986	138,185	54,623	2	777,948	2,038	664	165,083	2,906	23,213	28,800
31 ...	780,242	751,726	11,227	219,864	54,072	2	777,979	2,004	639	240,603	6,365	27,233	10,151
1942													
Jan. 7 ...	780,242	749,829	9,619	155,745	54,846	2	778,300	1,685	533	176,863	6,407	24,096	30,700
14 ...	780,242	743,714	8,664	153,760	53,416	2	778,318	1,666	554	144,553	6,025	24,311	36,800
21 ...	780,242	740,688	15,022	126,071	53,730	2	778,283	1,707	590	142,178	6,253	24,401	39,900
28 ...	780,242	742,437	10,220	145,450	57,436	2	778,091	1,894	680	156,888	8,246	27,658	38,200
Feb. 4 ...	780,242	746,412	7,349	127,772	58,171	2	778,228	1,759	580	147,898	6,789	22,389	34,200
11 ...	780,242	749,524	10,197	122,318	58,235	2	778,155	1,833	580	147,898	6,789	22,389	34,200
18 ...	780,242	748,644	10,875	135,768	51,121	2	778,191	1,797	640	148,183	6,664	22,752	31,100
25 ...	780,242	749,572	11,487	136,826	51,695	2	778,196	1,794	581	154,888	6,628	22,492	31,000
Mar. 4 ...	780,242	751,478	12,181	128,848	55,825	2	778,206	1,782	612	161,263	4,246	22,238	32,000
11 ...	780,242	753,474	20,989	117,625	52,082	2	778,224	1,763	593	155,413	6,136	21,492	31,000
18 ...	780,242	754,223	12,614	136,944	52,971	2	778,128	1,863	617	164,023	4,168	23,514	29,100
25 ...	780,242	755,067	9,272	156,824	51,357	2	778,130	1,861	637	162,813	4,332	23,261	26,400
April 1 ...	780,242	758,806	20,655	116,273	51,180	2	778,137	1,855	564	153,078	5,138	22,374	25,600
8 ...	780,242	763,926	8,994	135,096	55,555	2	778,170	1,818	569	172,463	8,074	23,272	21,800
15 ...	780,242	767,110	8,770	127,882	51,228	2	778,058	1,818	654	162,333	6,147	22,040	16,600
22 ...	830,242	767,146	7,352	128,668	50,983	2	828,201	1,787	777	110,093	7,456	22,214	13,500
29 ...	830,242	771,154	13,960	122,627	51,369	2	828,136	1,853	818	111,233	7,513	22,376	63,600
May 6 ...	830,242	776,950	16,802	118,454	49,627	2	828,223	1,767	918	109,093	7,456	22,214	13,500
13 ...	830,242	780,177	12,561	126,550	50,469	2	828,019	1,968	1,058	117,358	7,499	27,144	59,800
20 ...	830,242	782,470	17,563	125,801	47,298	2	828,047	1,942	1,308	127,843	6,966	23,639	54,100
27 ...	830,242	786,539	7,606	146,635	47,836	2	828,122	1,942	1,308	130,448	6,716	22,447	51,100
June 3 ...	830,242	792,939	16,039	123,732	46,423	2	828,128	1,857	1,409	149,998	5,594	22,445	48,800
10 ...	830,242	793,726	8,916	131,053	46,701	2	827,985	2,005	1,555	137,098	6,594	20,888	48,800
17 ...	830,242	793,833	11,873	133,335	47,255	2	827,786	1,979	1,493	140,198	6,648	21,074	38,600
24 ...	830,242	796,040	8,022	133,588	47,329	2	827,432	1,953	1,558	144,518	5,429	21,614	37,800
July 1 ...	830,242	801,605	11,505	171,557	49,265	2	827,383	2,054	1,819	145,138	5,487	21,703	38,300
8 ...	830,242	807,438	10,510	146,488	47,946	2	827,408	1,857	1,558	187,733	5,512	20,617	35,500
15 ...	830,242	812,570	9,066	120,751	47,461	2	827,466	1,742	1,616	171,658	6,065	26,425	30,000
22 ...	830,242	815,258	13,513	127,840	49,919	2	827,196	1,792	1,516	150,018	5,637	21,138	24,200
29 ...	830,242	824,148	8,721	136,862	47,780	2	827,228	1,760	1,500	166,208	5,293	20,908	18,900
Aug. 5 ...	830,242	831,316	23,274	118,138	47,911	2	827,361	1,630	2,281	118,925	7,116	21,199	16,200
12 ...	830,242	834,473	19,615	126,073	46,649	2	827,272	1,714	1,255	130,925	7,943	27,951	57,300
19 ...	830,242	836,563	7,261	145,978	46,750	2	827,040	1,698	1,468	136,400	7,446	20,186	48,200
26 ...	830,242	839,334	8,236	144,987	47,444	2	826,980	1,763	1,432	140,040	6,913	19,662	47,100
Sept. 2 ...	830,242	840,017	15,099	131,288	46,741	2	827,007	1,632	1,361	139,732	6,700	20,550	25,400
9 ...	830,242	841,506	8,420	139,838	46,556	2	827,145	1,593	1,401	131,262	7,245	18,692	52,900
16 ...	830,242					2			1,401	136,732	5,088	21,294	51,300
23 ...												49,900	25,500

ENGLISH JOINT STOCK BANKS

1 Name of Bank	2 Date	3 No. of Branches and Sub-branches	4 Capital Subscribed	5 Uncalled Capital		6 Capital Paid up	7 Reserve Funds	8 Dividend payable and undivided Profits	9 Notes in Circulation (*)	10 Drafts, etc.	11 Acceptances and Endorsements
				Callible	Reserved						
1 Barclays Bank	Dec. 31, '41	1,838	15,858,217	Nil	Nil	15,858,217	11,250,000	£	£	£	12,872,411
2 Baring Bros. & Co.	Dec. 31, '41	1	2,050,000	Nil	Nil	2,050,000	1,000,000	23,384	...	...	655,882
3 British Mut. Bankg. Co.	Dec. 31, '41	None	300,000	120,000	Nil	180,000	161,100	18,413	...	...	11,351
4 Coutts & Co.	Dec. 31, '41	4	1,000,000	Un-limited	...	1,000,000	1,000,000	...	...	...	957,837
5 District Bank	Dec. 31, '41	496	10,560,428	6,320,000	2,976,428	2,976,428	445,779	...	...	...	3,262,821
6 Glyn Mills & Co.	Dec. 31, '41	2	1,060,000	Un-limited	...	1,060,000	850,000	...	...	...	3,965,024
7 Isle of Man Bank	Dec. 31, '41	11	300,000	Un-limited	200,000	100,000	300,000	23,765	100,739	6,987	...
8 Lloyds Bank	Dec. 31, '41	1,547	73,302,076	3,593,239	53,898,585	158,102,521	10,000,000	977,778	10,433	...	21,611,021
9 Martins Bank	Dec. 31, '41	550	20,602,272	5,167,558	11,274,672	4,160,042	3,600,000	529,017	20,558	...	9,610,581
10 Midland Bank	Dec. 31, '41	1,844	42,414,871	17,172,697	20,083,553	151,586,211	124,106,091	123,302	...	...	14,701,723
11 National Provincial	Dec. 31, '41	1,143	43,617,080	5,839,611	28,298,053	9,479,416	8,500,000	543,113	...	...	12,861,230
12 Westminster Bank	Dec. 31, '41	994	30,533,127	7,070,990	14,141,980	9,320,157	9,320,157	952,344	18,366	...	29,338,330
13 Williams Deacon's Bank	Dec. 31, '41	196	8,125,000	1,562,500	4,687,500	1,875,000	1,000,000	144,000	...	...	1,788,144
Totals		8,626	249,723,071	31,790,595	13,890,434	79,028,133	62,368,294	489,061.9	150,096	6,987	111,636,355

(*) In Isle of Man.

SCOTTISH BANKS

1 Bank of Scotland	Feb. 28, '42	218	2,400,000	750,000	Nil	2,400,000	2,100,000	228,217	5,939,173	108,659	4,322,846
2 British Linen Bank	Jan. 15, '42	202	1,250,000	Nil	Nil	1,250,000	2,500,000	149,455	4,339,766	650,190	1,128,601
3 Clydesdale Bank	Dec. 31, '41	192	5,350,000	Nil	4,000,000	1,300,000	1,950,000	189,934	4,418,270	...	1,756,303
4 Com. Bank of Scotland	Oct. 31, '41	326	7,500,000	2,450,000	3,000,000	2,250,000	3,150,000	143,213	6,057,163	...	2,102,330
5 Nat. Bank of Scotland	Nov. 1, '41	170	6,000,000	1,500,000	3,000,000	1,500,000	2,000,000	190,287	5,280,863	...	2,945,319
6 N. of Scotland Bank	Dec. 31, '41	158	3,260,000	163,000	1,956,000	1,141,000	1,365,000	190,966	3,617,983	...	2,077,187
7 Royal Bank of Scotland	Oct. 11, '41	228	4,250,000	Nil	Nil	4,250,000	4,125,965	180,625	4,602,641	101,966	2,959,625
8 Union Bank of Scotland	April 2, '42	203	5,200,000	Nil	4,000,000	1,200,000	1,900,000	387,055	4,245,194	...	17,292,211
Totals		1,697	35,210,000	4,863,000	15,756,000	15,291,000	19,090,965	1,659,752	38,501,053	275,644	17,292,211

IRISH BANKS

1 Bank of Ireland	Dec. 31, '41	98	2,769,231	Nil	Nil	2,769,231	3,180,000	271,614	4,579,155	...	218,182
2 Belfast Banking Co.	Dec. 31, '41	51	2,500,000	200,000	1,500,000	800,000	1,000,000	135,969	2,366,241	...	...
3 Hibernian Bank	Dec. 31, '41	56	2,000,000	500,000	1,000,000	500,000	740,000	57,551	519,104	...	...
4 Munster and Leinster Bk.	Dec. 31, '41	205	1,875,000	1,125,000	Nil	750,000	1,000,000	70,609	846,858	...	...
5 National Bank	Dec. 31, '41	264	7,500,000	1,000,000	5,000,000	1,500,000	1,160,000	42,465	1,436,067	...	153,285
6 Northern Bank	Dec. 31, '41	89	3,500,000	700,000	2,100,000	700,000	500,000	70,568	2,750,010	...	160,285
7 Prov. Bank of Ireland	Dec. 31, '41	114	4,000,000	1,500,000	2,500,000	540,000	540,000	54,701	1,586,114	...	...
8 Royal Bank of Ireland	Dec. 31, '41	39	1,500,000	300,000	900,000	300,000	315,000	17,711	252,565	...	...
9 Ulster Bank	Dec. 31, '41	111	3,000,000	Nil	2,000,000	1,000,000	1,000,000	106,706	3,390,269	43,097	...
Totals		1,027	28,724,231	5,325,000	15,040,000	8,859,231	9,435,000	827,894	17,726,383	43,097	531,752

PRIVATE BANKS

1 Name of Bank	2 Date	3 Partners' Capital and Reserve	4 Deposit and Current Accounts	5 Miscellaneous	6 Total Liabilities	7 Cash on Hand, etc., at Call and Short Notice	8 Investments	9 Advances, Bills, Loans, and Other Securities	10 Miscellaneous (Premises, etc.)	11 Total Assets
1 Blydenstein (B. W.) & Co.	1941 Sept. 30	100,000	6,526,128	6,652	6,632,780	2,034,935	949,753	3,623,494	24,598	6,632,780
2 Hoare (Chas.) & Co.	July 5	500,000	3,504,301	...	4,004,301	1,106,364	1,699,546	1,098,391	100,000	4,004,301
3 S. Japhet & Co.	Dec. 31	1,300,000	521,629	456,980	2,278,609	394,545	183,060	1,413,279	287,725	2,278,609
Totals		1,900,000	10,552,058	463,632	12,915,690	3,535,844	2,832,359	6,135,164	412,323	12,915,690

ENGLISH JOINT STOCK BANKS

11 Deposit and Current Accounts	12 TOTAL LIABILITIES AND ASSETS	13 Cash		14 Investments		15 Discounts and Advances		16 Premises and Sundries, including Cover for Acceptances	17 Name of Bank
		In Hand and at Bank of England	At Call and Short Notice	British Govt. Secs. Where Stated Separately	Bonds, Stocks and Other Investments	Discounts Where Stated Separately	Advances, Loans, etc.		
645,185,397	685,166,025	98,433,405	24,917,550	163,102,474	11,324,606	192,343,437	174,234,477	20,810,076	Barclays Bank.
16,835,819	20,565,085	4,025,988	...	8,250,941	1,659,253	4,052,035	...	2,576,868	Baring Bros. & Co.
1,087,396	1,458,260	164,319	...	160,527	662,033	...	438,394	32,987	Brit. Mut. Banking Co.
32,513,736	35,471,573	4,393,997	3,147,100	11,244,455	1,361,777	5,826,346	8,128,062	1,369,836	Coutts & Co.
131,102,436	140,763,892	19,013,608	4,461,112	46,812,376	2,040,176	39,331,842	24,359,255	4,745,523	District Bank.
52,592,238	58,467,262	8,707,187	4,866,200	18,521,688	930,086	10,665,355	10,071,722	4,705,024	Glyn Mills & Co.
3,869,856	4,401,347	958,780	...	2,141,167	910,005	...	361,395	30,000	Isle of Man Bank.
581,314,405	629,723,889	97,217,444	21,025,415	144,934,025	21,916,782	171,919,243	144,083,610	28,627,370	Lloyds Bank.
157,602,830	175,523,028	22,049,229	8,475,000	53,897,582	5,211,004	35,827,029	37,585,780	12,477,404	Martins Bank.
685,973,065	729,477,044	105,811,211	22,214,419	204,870,292	10,515,638	192,461,839	169,812,486	23,791,159	Midland Bank.
466,215,659	497,599,418	71,168,699	19,907,000	131,751,493	8,883,655	140,593,512	105,329,205	19,965,854	National Provincial.
469,944,803	518,894,157	73,129,153	22,487,365	143,676,804	5,115,364	123,395,126	116,660,946	34,429,399	Westminster Bank.
62,314,800	67,121,944	11,263,672	6,080,900	19,218,929	841,883	15,157,829	11,659,399	2,899,332	Williams Deacon's Bank.
330,655,240	356,463,294	516,336,692	137,582,061	948,582,753	71,372,262	931,573,593	802,724,731	156,460,832	Totals.

SCOTTISH BANKS

50,593,844	66,670,670	9,302,403	4,800,000	32,046,390	385,349	6,267,650	9,062,132	4,806,746	Bank of Scotland.
40,518,774	50,536,786	6,816,137	4,340,000	26,173,148	363,630	3,562,786	7,679,183	1,601,902	British Linen Bank.
52,662,532	62,277,039	12,403,395	2,835,600	22,877,519	4,333,649	8,064,578	9,436,065	2,526,233	Clydesdale Bank.
63,997,348	77,700,054	12,237,167	4,153,000	37,662,441	286,159	10,108,562	10,000,395	3,252,330	Com. Bank of Scotland.
50,806,487	62,722,956	10,015,409	4,436,000	30,535,565	566,121	3,754,516	9,876,917	3,538,428	Nat. Bank of Scotland.
35,697,727	42,012,676	13,421,693	756,003	19,006,553	705,554	1,059,347	6,887,801	175,725	N. of Scotland Bank.
82,007,146	98,263,227	9,946,382	8,328,124	34,765,620	7,775,557	9,524,395	24,726,067	3,197,082	Royal Bank of Scotland.
41,045,112	51,736,986	4,349,155	5,344,701	20,601,938	3,606,197	3,351,331	11,129,901	3,353,763	Union Bank of Scotland.
417,328,970	511,920,394	78,491,741	34,993,428	223,669,174	18,022,216	45,693,165	88,798,461	22,252,209	Totals.

IRISH BANKS

49,363,581	60,381,763	2,463,214	9,599,648	2,630,769	29,231,128	...	15,640,794	816,210	Bank of Ireland.
18,998,702	23,300,912	5,611,078	28,288	11,206,344	743,353	112,443	5,555,501	43,905	Belfast Banking Co.
11,877,848	13,694,503	1,934,891	...	5,844,732	168,136	...	5,600,978	145,766	Hibernian Bank.
28,136,771	30,804,238	3,173,161	900,000	14,133,146	326,328	719,959	11,169,927	381,717	Munster and Leinster Bk.
39,528,310	43,820,127	5,346,868	3,734,763	14,929,240	1,332,127	1,559,316	16,217,174	700,639	National Bank.
18,846,363	23,027,226	5,163,607	...	9,614,680	799,777	...	6,996,238	452,924	Northern Bank.
17,420,919	20,141,734	1,608,339	1,050,000	9,638,610	986,166	812,429	5,821,844	224,346	Prov. Bank of Ireland.
8,705,154	9,590,430	1,461,247	...	4,238,399	165,899	63,489	3,411,396	250,000	Ditto. New.
27,295,760	32,835,832	8,866,686	...	14,568,648	1,449,586	...	7,655,818	295,094	Royal Bank of Ireland.
220,173,408	257,596,765	35,629,091	15,312,699	86,804,568	35,202,500	3,267,636	78,069,670	3,310,601	Ulster Bank.
									Totals.

DISCOUNT COMPANIES

	Date	Capital and Reserves	Loans, Deposits, etc. (inc. Undivided Profits)	Bills Rediscounted	Rebate, etc.	Total Liabilities	Cash at Bankers	Bills Discounted	Investments	Loans and Sundry Accounts	Total Assets
		1	2	3	4	5	6	7	8	9	10
Alexanders	1941 Dec. 31	£ 2,000,000	£ 41,060,920	£ 580,746	£ 211,380	£ 43,853,046	£ 686,080	£ 24,684,310	£ 18,220,193	£ 262,463	£ 43,853,046
National	Dec. 31	2,300,000	51,177,444	4,063,328	...	57,540,772	1,700,792	40,297,794	15,164,817	377,369	57,540,772
Union of Lond.	Dec. 31	3,750,000	74,449,751	9,153,396	451,638	87,804,785	1,859,347	63,253,973	22,018,945	672,520	87,804,785
Totals ..		8,050,000	166,688,115	13,797,470	663,018	189,198,603	4,246,219	128,236,077	55,403,955	1,312,352	189,198,603

COMPARATIVE STATEMENTS

JOINT STOCK BANKS OF ENGLAND AND WALES (EXCLUDING BANK OF ENGLAND)

Year	Banks	No. of Brchs.	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Acceptances	% of Liabilities	Total Liabilities	Cash in Hand, Money at Call and Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1885	99	2,690	69,213,000	12.4	455,561,000	81.6	23,724,000	4.2	558,744,000	111,208,000	19.9	107,498,000	19.2	311,478,000	56.7
1890	77	3,757	73,847,000	11.3	586,728,000	84.0	21,530,000	3.0	698,762,000	144,900,000	20.7	127,766,000	18.3	395,513,000	56.8
1900	59	4,558	82,010,000	10.8	627,529,000	82.6	39,225,000	5.2	758,712,000	179,530,000	23.6	131,731,000	17.3	401,485,000	52.9
1910	45	5,202	80,946,000	9.4	720,687,000	83.6	52,263,000	6.0	862,134,000	199,724,000	23.0	137,711,000	16.8	467,880,000	54.3
1920	37	6,027	81,731,000	7.1	992,555,000	86.4	62,512,000	5.5	1,146,807,000	262,453,000	22.9	137,711,000	16.8	467,880,000	54.3
1925	20	7,612	128,154,000	5.8	1,961,527,000	89.0	102,920,000	4.7	2,200,317,000	449,153,000	20.4	137,711,000	16.8	467,880,000	54.3
1927	18	8,873	134,846,000	5.5	1,806,810,000	87.1	125,005,000	6.0	2,073,810,000	441,787,000	21.3	137,711,000	16.8	467,880,000	54.3
1928	17	9,381	139,444,000	6.4	1,832,948,000	86.8	140,159,000	6.0	2,179,372,000	492,652,000	22.6	137,711,000	16.8	467,880,000	54.3
1929	16	9,995	141,516,505	6.1	1,951,477,697	83.5	137,140,921	6.0	2,337,372,655	493,841,201	21.1	137,711,000	16.8	467,880,000	54.3
1930	16	9,815	141,593,545	6.3	1,911,007,360	85.4	179,295,205	6.0	2,200,317,000	449,153,000	20.4	137,711,000	16.8	467,880,000	54.3
1931	16	10,082	144,323,133	6.4	1,976,805,092	87.6	128,023,846	5.7	2,337,372,655	493,841,201	21.1	137,711,000	16.8	467,880,000	54.3
1932	16	10,178	134,472,636	6.5	1,820,986,812	87.6	109,740,433	5.3	2,073,810,000	441,787,000	21.3	137,711,000	16.8	467,880,000	54.3
1933	16	10,066	135,224,636	5.9	2,064,334,875	89.5	96,673,580	4.2	2,302,302,798	446,214,089	19.4	137,711,000	16.8	467,880,000	54.3
1934	16	10,060	135,362,136	5.9	2,025,230,732	88.5	122,069,412	5.2	2,288,936,892	446,214,089	19.4	137,711,000	16.8	467,880,000	54.3
1935	16	10,086	137,709,293	5.7	2,061,910,349	88.1	131,156,679	5.6	2,337,372,655	493,841,201	21.1	137,711,000	16.8	467,880,000	54.3
1936	15	10,118	137,741,609	5.9	2,172,713,497	89.5	109,137,702	4.5	2,425,754,979	446,214,089	19.4	137,711,000	16.8	467,880,000	54.3
1937	15	10,074	138,529,709	5.5	2,329,107,565	92.1	85,564,837	3.4	2,529,458,732	446,214,089	19.4	137,711,000	16.8	467,880,000	54.3
1938	15	10,097	142,056,407	5.4	2,348,198,851	90.0	117,880,182	4.4	2,614,250,601	446,214,089	19.4	137,711,000	16.8	467,880,000	54.3
1939	15	10,151	142,245,127	5.6	2,268,767,169	89.0	117,257,519	4.2	2,549,573,581	446,214,089	19.4	137,711,000	16.8	467,880,000	54.3
1940	13	9,243	140,257,227	5.2	2,419,329,880	90.1	108,925,835	4.4	2,638,485,742	446,214,089	19.4	137,711,000	16.8	467,880,000	54.3
1941	13	9,111	141,284,327	4.6	2,777,594,672	91.6	108,925,835	3.6	3,033,303,659	446,214,089	19.4	137,711,000	16.8	467,880,000	54.3
1942	13	8,626	141,396,427	4.0	3,306,552,440	92.8	111,636,355	3.2	3,564,632,924	446,214,089	19.4	137,711,000	16.8	467,880,000	54.3

PRIVATE BANKS

Year	No. of Banks	LIABILITIES						ASSETS					
		Capital and Reserves	% of Liabilities	Notes	% of Liabilities	Miscellaneous	% of Liabilities	Cash in Hand, Money at Call and Notice	% of Assets	Investments	% of Assets	Discounts and Advances	% of Assets
1880	19	6,192,800	12.8	151,750	0.3	1,264,100	2.6	40,420,500	84.3	48,029,200	100.0	10,521,400	21.8
1885	12	4,393,900	13.2	83,500	0.3	1,018,000	3.1	27,775,000	83.4	33,270,400	100.0	7,271,500	21.8
1890	9	5,535,100	11.2	57,920	0.2	1,096,700	3.5	26,808,000	89.1	30,369,900	100.0	6,478,000	20.8
1900	7	3,180,707	8.6	60,400	0.2	786,018	2.1	32,890,739	89.1	37,158,216	100.0	8,038,663	21.7
1910	6	3,123,098	5.7	...	...	1,024,656	1.9	50,864,631	92.4	51,124,571	100.0	11,537,610	21.3
1920	5	3,186,738	6.1	...	...	970,412	1.9	48,306,422	92.0	55,012,385	100.0	12,844,742	23.2
1925	4	3,813,420	6.8	...	...	1,124,254	2.0	50,955,682	91.2	52,463,972	100.0	15,108,550	28.8
1930	4	2,816,442	7.2	...	...	2,557,537	6.6	33,485,334	86.2	58,933,365	100.0	8,593,043	14.4
1935	4	2,816,442	7.2	...	...	4,431,214	12.3	29,151,063	80.6	38,593,365	100.0	3,185,610	8.2
1940	4	2,816,442	7.2	...	...	4,431,214	12.3	29,151,063	80.6	38,593,365	100.0	3,185,610	8.2
1942	4	2,816,442	7.2	...	...	4,431,214	12.3	29,151,063	80.6	38,593,365	100.0	3,185,610	8.2

AUSTRALASIAN BANKS

AUSTRALASIAN BANKS WITH LONDON OFFICES

Year	Banks	No. of Brchs.	Capital and Reserves	% of Liabilities	Notes	% of Liabilities	Deposits	% of Liabilities	Total Assets or Liabilities	Cash in Hand, Money at Call and Notice	% of Assets or Liabilities	Investments	% of Assets or Liabilities	Discounts and Advances	% of Assets or Liabilities
1890	19	1,538	24,424,100	13.2	4,821,800	2.6	138,065,900	74.7	184,931,000	26,919,000	14.6	6,808,100	3.7	145,535,900	78.9
1900	16	1,338	30,307,100	19.1	4,348,700	2.8	107,408,600	68.4	157,299,500	33,165,500	21.1	12,831,900	8.2	102,820,200	65.7
1910	17	1,965	33,612,300	16.3	5,198,100	2.4	152,885,400	71.9	212,615,200	58,575,000	27.5	17,105,000	8.1	132,966,900	62.3
1920	16	2,393	51,248,171	13.4	8,511,692	2.2	281,477,007	73.4	383,470,259	84,133,890	21.9	21,736,390	5.6	144,948,658	37.8
1930	12	3,372	88,074,940	18.2	6,792,206	1.4	359,095,968	72.2	448,659,471	71,442,973	15.8	31,114,477	7.3	161,619,883	35.9
1935	11	3,226	86,221,161	19.2	6,649,485	1.4	329,815,863	73.4	448,372,051	76,407,310	17.0	31,114,477	7.3	161,619,883	35.9
1940	11	3,218	87,454,568	18.6	7,009,864	1.5	348,646,761	74.6	489,423,221	71,561,185	14.6	31,114,477	7.3	161,619,883	35.9
1942	11	3,161	87,308,970	17.8	7,125,090	1.5	365,005,434	74.6	489,423,221	71,561,185	14.6	31,114,477	7.3	161,619,883	35.9
1943	10	2,741	77,815,480	17.8	7,428,022	1.5	323,414,288	74.6	489,423,221	71,561,185	14.6	31,114,477	7.3	161,619,883	35.9
1944	11	3,378	86,205,345	17.6	7,677,442	1.5	384,547,415	75.8	503,997,126	75,306,732	15.0	31,114,477	7.3	161,619,883	35.9
1945	11	3,684	86,220,345	17.1	7,677,442	1.5	384,547,415	75.8	503,997,126	75,306,732	15.0	31,114,477	7.3	161,619,883	35.9
1946	11	3,829	86,212,688	16.4	7,677,442	1.5	384,547,415	75.8	503,997,126	75,306,732	15.0	31,114,477	7.3	161,619,883	35.9
1947	10	3,191	77,150,624	16.6	7,677,442	1.5	384,547,415	75.8	503,997,126	75,306,732	15.0	31,114,477	7.3	161,619,883	35.9
1948	11	3,631	86,084,760	15.7	7,677,442	1.5	384,547,415	75.8	503,997,126	75,306,732	15.0	31,114,477	7.3	161,619,883	35.9
1949	11	3,893	86,112,751	15.0	7,677,442	1.5	384,547,415	75.8	503,997,126	75,306,732	15.0	31,114,477	7.3	161,619,883	35.9
1950	11	3,371	86,967,949	14.2	7,677,442	1.5	384,547,415	75.8	503,997,126	75,306,732	15.0	31,114,477	7.3	161,619,883	35.9

INDIAN BANKS

INDIAN BANKS WITH OFFICES IN LONDON

LONDON															
Year	Banks	No. of Brchs.	Capital and Reserve	% of Liabilities	Notes	% of Liabilities	Deposits	% of Liabilities	Total Assets or Liabilities	Cash in Hand, Money at Call and Short Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1890	5	50	4,547,200	12.1	1,241,000	3.4	17,964,400	50.0	36,003,400	4,321,200	12.0	2,930,500	8.1	27,541,300	76.5
1900	5	54	3,186,800	10.5	699,800	2.3	18,084,800	58.5	30,207,600	4,704,900	15.5	2,794,600	9.3	22,147,300	72.5
1910	5	87	6,100,000	12.9	515,600	1.1	34,547,000	72.9	47,339,600	8,312,300	17.6	4,139,400	8.7	32,101,200	67.8
1920	4	94	14,171,476	8.9	2,995,124	1.9	118,352,583	74.1	159,492,420	28,521,284	17.9	10,424,084	6.5	108,740,228	68.0
1930	4	113	16,030,000	13.3	2,184,761	1.8	91,250,356	75.6	120,695,667	14,444,621	12.0	36,683,818	30.4	62,480,479	51.8
1935	4	108	13,825,000	11.5	2,056,662	1.7	92,788,140	70.4	120,691,066	14,444,621	12.0	36,683,818	30.4	62,480,479	51.8
1940	4	106	13,825,000	11.5	1,460,811	1.2	94,123,318	78.4	123,617,836	14,840,777	12.0	36,683,818	30.4	62,480,479	51.8
1945	4	106	13,825,000	11.2	2,006,743	1.6	94,676,009	76.6	123,617,836	14,840,777	12.0	36,683,818	30.4	62,480,479	51.8
1950	4	106	13,825,000	11.3	1,844,564	1.5	96,085,622	78.5	123,617,836	14,840,777	12.0	36,683,818	30.4	62,480,479	51.8
1955	4	108	13,825,000	10.6	1,863,797	1.4	100,658,797	77.1	130,610,032	14,984,604	11.5	36,683,818	30.4	62,480,479	51.8
1960	4	108	13,825,000	10.6	2,015,716	1.5	103,950,708	78.5	130,610,032	14,984,604	11.5	36,683,818	30.4	62,480,479	51.8
1965	4	111	13,825,000	11.2	1,856,351	1.4	96,400,588	77.9	123,617,836	14,840,777	12.0	36,683,818	30.4	62,480,479	51.8
1970	4	111	13,825,000	10.1	1,947,985	1.5	108,106,414	79.6	123,617,836	14,840,777	12.0	36,683,818	30.4	62,480,479	51.8
1975	4	110	13,825,000	9.1	1,953,379	1.3	130,008,538	85.2	177,084,921	18,578,051	13.3	53,345,624	43.1	57,078,889	37.4
1980	4	110	13,825,000	7.7	1,929,128	1.1	156,777,103	86.3	181,507,716	29,001,548	19.0	55,662,748	36.5	61,909,652	34.1
1985	4	110	13,825,000	7.7	1,929,128	1.1	156,777,103	86.3	181,507,716	35,794,553	19.7	71,484,765	39.4	61,909,652	34.1

JOINT STOCK BANKS OF ENGLAND AND WALES
BARCLAYS BANK LIMITED

CAPITAL				PROFITS AND DIVIDENDS *							
	Subscribed £	Paid-up £	Callable £	Reserved £	Year Ended Dec. 31	Net Profits £	Per Cent. of Resources	Dividends Amount £	Rate	Reserve, Invest- ments, etc. £	Carried Forward £
"A" Stock	3,430,356	3,430,356	Nil	Nil	1931 ...	1,794,825	0.48	1,588,239	A Shs 10 B & C 14	200,000	565,950
"B" Stock	11,760,811	11,760,811	Nil	Nil	1932 ...	1,574,013	0.38	1,562,202	A Shs 10 B & C 14	...	577,761
"C" Stock	667,050	667,050	Nil	Nil	1933 ...	1,604,680	0.39	1,562,202	A Shs 10 B & C 14	50,000	570,238
"A" Stock	Fully paid, transferable in units of £1				1934 ...	1,708,174	0.41	1,614,275	A Shs 10 B & C 14	100,000	564,137
"B" Stock					1935 ...	1,783,784	0.40	1,614,275	A Shs 10 B & C 14	150,000	583,647
"C" Stock					1936 ...	1,894,361	0.41	1,588,239	A Shs 10 B & C 14	250,000	639,768
					1937 ...	2,133,825	0.45	1,562,202	A Shs 10 B & C 14	700,000	511,391
					1938 ...	1,926,458	0.40	1,510,129	A Shs 10 B & C 14	400,000	527,720
"A" Stock					1939 ...	1,784,880	0.35	1,432,019	A Shs 10 B & C 14	350,000	530,587
"B" Stock					1940 ...	1,525,665	0.26	1,197,688	A Shs 10 B & C 14	350,000	546,704
					1941 ...	1,353,303	0.19	1,041,468	A Shs 10 B & C 14	350,000	508,539

	Price, Sept. 8, 1942	Market Value £
"A" Stock	£2 13s. 6d.	9,176,205
"B" Stock	£3 14s. 0d.	43,515,000

* Includes £38,145 profit unappropriated by Union Bank of Manchester, 1 Ltd.

* Includes £38,145 profit unappropriated by Union Bank of Manchester, Ltd.

Dec. 31	No. of Offices open at dates stated	LIABILITIES						Total Liabilities or Assets	ASSETS											
		Capital and Reserves	Per Cent.	Acceptances and Endorsements	Per Cent.	Deposit and Current Accounts (c)	Per Cent.		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts	Per Cent.	Investments (b)	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1931	2,080	26,108,217	7.0	10,796,794	2.9	335,565,144	90.1	372,470,155	56,910,345	15.3	2,176,650	5.8	40,791,393	10.9	63,257,960	17.0	172,197,631	46.3	17,546,375	4.7
1932	2,070	26,108,217	6.3	6,279,470	1.5	381,846,610	92.2	414,234,297	62,344,879	15.1	2,817,550	0.6	66,289,257	16.0	94,048,805	22.7	153,158,668	37.0	13,575,838	3.3
1933	2,080	26,108,217	6.3	7,191,741	1.7	378,759,772	92.0	412,059,730	62,249,186	15.2	383,300	0.5	259,953,329	14.5	104,849,868	25.5	148,835,468	36.1	14,788,593	3.6
1934	2,091	26,108,217	6.3	7,205,554	1.7	380,093,759	92.0	413,407,530	58,699,862	14.2	225,837,900	6.4	347,572,778	11.5	110,463,839	26.7	155,979,234	37.7	14,853,917	3.6
1935	2,116	26,108,217	5.9	7,857,821	1.8	406,782,270	92.3	440,748,308	65,304,917	14.8	825,604,250	5.8	60,695,872	13.8	113,134,893	25.5	179,655,011	38.6	16,722,917	3.6
1936	2,106	26,108,217	5.6	9,265,151	2.0	429,538,416	92.4	464,912,784	66,630,908	14.4	326,318,800	5.7	59,248,252	12.7	116,336,895	25.5	160,549,222	36.4	15,459,154	3.5
1937	2,122	26,608,217	5.7	8,532,516	1.8	434,645,323	92.5	469,786,056	70,783,320	15.2	276,816,805	8.5	50,362,681	10.7	109,391,938	23.3	196,264,896	42.2	17,914,371	3.4
1938	2,131	26,608,217	5.6	14,933,082	3.1	433,081,185	91.3	474,622,484	68,114,569	14.4	26,207,525	5.4	59,941,153	13.4	105,860,762	21.0	200,847,108	39.9	23,253,942	4.6
1939	2,151	26,608,217	5.3	15,594,145	3.1	461,376,448	91.9	503,578,810	77,338,578	15.2	28,713,245	5.7	58,517,133	13.4	105,860,762	21.0	200,847,108	39.9	23,253,942	4.6
1940	1,951	27,108,217	4.6	14,978,292	5.5	546,914,675	92.9	589,001,184	85,300,989	14.5	25,908,700	4.4	129,822,742	22.0	179,754,423	21.1	197,283,478	35.3	22,950,625	3.9
1941	1,838	27,108,217	4.0	12,872,411	9.6	545,185,397	94.1	685,166,025	98,433,405	14.4	24,917,550	3.6	192,343,328	21.8	174,427,079	25.5	174,254,771	25.4	20,810,076	3.0
June 30, 1942		27,108,217	4.0	12,892,268	1.9	643,839,360	94.1	683,839,845	94,407,732	13.8	23,164,503	3.3	182,618,913	26.7	191,577,127	28.1	171,254,496	25.4	20,810,076	3.0

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom. (b) Includes investments in affiliations.

(c) Including balances in account with subsidiary banks. (d) From 1940 includes Treasury deposit receipts.

† Includes Branches of the Union Bank of Manchester, Limited, which was amalgamated with Barclays Bank, Limited, on January 1st, 1940.

BRITISH MUTUAL BANKING COMPANY, LIMITED

CAPITAL				PROFITS AND DIVIDENDS						
Subscribed £	Paid-up £	Callable £	Reserved £	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate %	Reserve, Invest- ments, etc.	Carried Forward
300,000	180,000	120,000	Nil	1931 ...	24,315	2.44	14,400	12	10,000	8.673
				1932 ...	18,756	1.84	14,400	12	5,500	7.529
				1933 ...	20,081	1.45	14,400	12	5,500	7.710
				1934 ...	29,809	2.57	14,400	12	15,000	8.119
				1935 ...	38,524	3.95	14,400	12	21,500	10.748
				1936 ...	21,570	1.54	17,500	10	5,100	9.713
Per Share £5	Per Share £3	Per Share £2	Per Share Nil	1937 ...	22,461	1.61	18,000	10	5,100	9.073
				1938 ...	21,640	1.69	18,000	10	5,100	7.614
				1939 ...	21,604	1.72	9,000	5	15,100	5.117
				1940 ...	19,054	1.36	9,000	5	10,100	5.071
				1941 ...	20,441	1.40	9,000			
This Bank has no branches.										

* Includes engagements on account of customers: 1940, £5,210; 1941, £11,351.

BARING BROTHERS & CO., LIMITED

Year Ended December 31	LIABILITIES						Total Liabilities or Assets	ASSETS							
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Invest- ments	Per Cent.	Loans and Advances	Per Cent.	Premises and Sundries	Per Cent.
1931	£222,500	22-3	£23,073	2-3	£750,885	75-4	£996,458	124,781	12-5	£167,974	16-9	£701,163	66-3	£2,540	4-3
1932	222,500	21-8	21,929	2-2	773,022	76-0	1,017,451	152,336	14-9	235,713	21-6	627,012	61-7	2,390	1-8
1933	228,000	16-5	22,110	1-5	1,130,068	82-0	1,380,178	96,827	7-0	414,901	28-8	856,209	62-8	2,241	1-4
1934	243,000	21-0	22,519	1-9	895,464	77-1	1,160,983	108,064	9-3	384,383	31-7	662,271	57-0	6,265	2-0
1935	254,500	20-4	25,143	2-0	963,472	77-6	1,243,115	92,303	7-4	488,668	39-3	662,145	53-3	...	...
1936	310,500	21-8	27,213	1-8	1,083,367	76-4	1,421,180	107,037	7-5	624,829	44-1	689,314	48-4	...	...
1937	315,700	22-6	27,074	1-9	1,053,835	75-5	1,396,609	152,942	10-9	662,843	47-5	580,824	41-6	...	...
1938	320,800	22-1	25,614	1-8	1,104,805	76-1	1,451,219	108,279	7-5	772,606	53-2	570,334	39-3	...	...
1939	320,800	23-6	14,117	1-0	1,070,169	75-4	1,420,186	114,299	8-0	782,955	55-2	522,932	36-8	...	...
1940	341,000	24-4	14,071	1-0	1,045,654*	74-6	1,400,725	154,953	11-1	762,726	54-5	477,835	34-1	5,211	0-3
1941	341,100	23-4	18,413	1-3	1,098,747*	75-3	1,458,260	164,318	11-2	844,196	58-0	438,394	30-0	...	...
* Includes engagements on account of customers: 1940 (£5,916, 1941 (£6,216, 1942 (£6,216)															

* Includes engagements on account of customers: 1940, £5,210; 1941, £11,351.

CAPITAL

Year Ended Dec. 31	No. of Offices open at date stated	LIABILITIES	
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ISLE OF MAN BANK LIMITED—Continued from page 19

Year ended Dec. 31	No. of Offices open at dates stated	LIABILITIES										Total Liabilities or Assets	ASSETS							
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Miscel- laneous Credits, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Discounts and Ad- vances	Per Cent.	Invest- ments	Per Cent.	Premises	Per Cent.
1931	9	280,000	10.6	17,152	0.7	84,881	3.2	4,682	0.2	2,253,825	85.3	2,640,540	411,358	15.6	550,461	20.9	1,648,721	62.4	30,000	1.1
1932	9	292,000	8.5	17,788	0.5	86,663	2.5	8,197	0.2	3,014,280	88.2	3,418,928	535,096	15.6	488,168	14.3	2,365,664	69.2	30,000	1.1
1933	9	304,000	8.6	18,807	0.5	84,559	2.4	4,252	0.1	3,115,205	89.4	3,526,823	499,855	13.0	451,512	12.8	2,585,456	73.4	30,000	0.8
1934	9	316,000	8.6	18,100	0.5	84,829	2.3	23,131	0.6	3,213,409	88.0	3,659,469	370,367	10.1	388,608	10.6	2,866,494	78.5	30,000	0.8
1935	10	328,000	8.7	19,102	0.5	87,284	2.3	8,333	0.2	3,507,855	88.3	3,750,574	376,786	10.0	406,685	10.9	2,937,103	78.3	30,000	0.8
1936	10	340,000	8.7	19,458	0.5	91,713	2.5	6,721	0.1	3,446,942	88.2	3,910,864	459,778	11.7	401,003	11.3	3,020,084	77.2	30,000	0.8
1937	10	350,000	9.4	20,358	0.5	99,387	2.6	394	...	3,280,270	87.5	3,752,409	460,758	12.3	433,403	11.5	2,828,248	75.4	30,000	0.8
1938	10	364,000	9.7	21,004	0.6	96,339	2.6	10,087	0.3	3,243,466	86.8	3,734,896	408,768	11.0	462,350	11.0	2,835,778	75.8	30,000	0.8
1939	11	376,000	9.8	22,157	0.6	98,039	2.6	10,718	0.3	3,314,452	86.5	3,821,366	855,030	22.4	460,510	12.0	2,475,826	64.7	30,000	0.8
1940	11	388,000	9.8	22,448	0.6	101,766	2.6	17,210	0.4	3,416,921	86.6	3,946,345	838,110	21.2	456,918	11.6	2,621,317	66.4	30,000	0.8
1941	11	400,000	9.1	23,765	0.5	100,739	2.3	6,987	0.1	3,869,856	88.0	4,401,347	958,780	21.8	361,395	8.2	3,051,172	69.3	30,000	0.7

LLOYDS BANK LIMITED

CAPITAL (December 31, 1937)						Market Value Sept. 8, 1942
Subscribed £	Paid-up £	Callable £	Reserved £			
" A " shares...	71,864,780	14,372,956	3,593,239	53,898,585	£38,447,660	
" B " Stock ...	1,437,296	1,437,296	Nil	Nil	£2,084,070	
	Per Share £5 £1	Per Share £1	Per Share 5s. Nil	Per Share £3 15s. Nil	Per Share £2 13s. 6d. £1 9s. 0d.	

Year Ended Dec. 31	Net Profits £	Per Cent. of Resources	PROFITS AND DIVIDENDS		Rate %	Reserves, etc. £	Carried Forward £
			Per Cent.	Amount £			
1931.....	1,926,904	0.49	1,516,048	" A " 13s. " B " 5	400,000	522,055	
1932.....	1,550,511	0.35	1,357,820	" A " 12s. " B " 5	200,000	514,746	
1933.....	1,438,822	0.33	1,347,465	" A " 12s. " B " 5	100,000	506,104	
1934.....	1,651,506	0.37	1,392,380	" A " 12s. " B " 5	250,000	515,230	
1935.....	1,642,785	0.36	1,392,380	" A " 12s. " B " 5	250,000	515,635	
1936.....	1,743,955	0.37	1,369,922	" A " 12s. " B " 5	350,000	539,667	
1937.....	1,832,501	0.39	1,347,465	" A " 12s. " B " 5	500,000	524,704	
1938.....	1,705,300	0.37	1,302,549	" A " 12s. " B " 5	400,000	527,456	
1939.....	1,589,646	0.32	1,248,276	" A " 12s. " B " 5	350,000	518,826	
1940.....	1,383,807	0.26	1,033,056	" A " 12s. " B " 5	350,000	519,571	
1941.....	1,274,200	0.22	915,153	" A " 12s. " B " 5	350,000	528,623	

	CAPITAL (December 31, 1937)				Market Value Sept. 8, 1942
	Subscribed £	Paid-up £	Callable	Reserved £	
" A " shares...	71,864,780	14,372,956	3,593,239	53,898,585	£38,447,660
" B " Stock ...	1,437,296	1,437,296	Nil	Nil	£2,084,070
	Per Share £5	Per Share £1	Per Share 5s.	Per Share £3 15s.	Per Share £2 13s. 6d.
	£1	£1	Nil	Nil	£1 9s. 0d.

Year ended December 31	No. of Offices open at dates stated	LIABILITIES										Total Liabilities or Assets	ASSETS											
		Paid-up Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances and Endorse- ments	Per Cent.	Current, Deposit and Other Accounts (y)	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.		Cash at Call and Short Notice	Per Cent.	Bills of Ex- change (z)	Per Cent.	Invest- ments	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Accept- ances	Per Cent.		
1931	9	1,963,233,310,252	5-9	4,267,652	0-3	36,134,878	9-2	333,741,091,84	6	394,453,873	51,134,804	12-9	222,168,477	5	6,425,587,499	10-8	56,659,358	14-4	177,861,605	45-1	44,022,130	11-9		
1932	9	2,023,810,252	5-4	1,116,614	0-3	31,978,804	7-3	382,148,416,87	0	439,054,086	54,475,674	12-4	255,588,689	5	8,76,788,343	10-8	56,659,358	14-4	177,861,605	45-1	44,022,130	11-9		
1933	9	2,115,810,252	5-5	1,179,836	0-3	42,640,910	9-8	364,559,963,94	4	432,190,961	54,270,905	12-3	273,479,970	4	9,566,807,317	11-3	104,481,600	23-3	152,719,480	34-7	39,890,210	9-4		
1934	9	2,197,243,102	5-5	1,211,420	0-3	42,640,910	10-4	372,146,372,83	8	445,683,964	56,854,348	12-8	316,313,120	2	10,247,214,847	10-8	102,828,620	23-3	166,626,866	33-7	50,470,600	11-9		
1935	9	2,193,243,102	5-5	1,211,825	0-3	31,741,415	9-3	371,741,415	1	465,078,203	58,805,857	13-1	313,053,075	2	10,247,214,847	10-8	102,828,620	23-3	166,626,866	33-7	50,470,600	11-9		
1936	9	2,191,243,102	5-4	1,198,337	0-3	38,511,965	1-4	406,067,241,87	3	465,073,623	64,583,213	13-1	377,781,808	3	10,247,214,847	10-8	102,828,620	23-3	166,626,866	33-7	50,470,600	11-9		
1937	9	2,226,810,252	5-4	1,226,810	0-3	38,511,965	1-4	406,067,241,87	3	465,073,623	64,583,213	13-1	377,781,808	3	10,247,214,847	10-8	102,828,620	23-3	166,626,866	33-7	50,470,600	11-9		
1938	9	2,192,243,102	5-5	1,178,730	0-3	40,542,400	8-7	397,932,938,85	5	464,705,315	60,205,850	13-0	363,563,459	3	10,247,214,847	10-8	102,828,620	23-3	166,626,866	33-7	50,470,600	11-9		
1939	9	2,193,243,102	5-5	1,202,727	0-2	39,530,217	6-0	433,990,899,86	5	489,540,095	68,917,215	13-0	345,659,659	3	10,247,214,847	10-8	102,828,620	23-3	166,626,866	33-7	50,470,600	11-9		
1940	9	2,193,243,102	5-8	1,036,105	0-2	20,267,480	8-4	490,836,887,92	2	537,950,321	84,480,902	15-2	722,288,549	4	10,605,009	19-8	38,806,558	25-8	158,430,498	22-9	36,997,873	9-4		
1941	9	2,547,810,252	4-1	977,778	0-2	21,611,021	3-4	581,234,838,92	3	629,723,889	97,217,445	15-2	1,025,415	3	17,191,924	27-3	166,850,806	26-4	144,083,610	22-9	28,627,371	9-4		
June 30, 1942		25,810,252	4-2	...	...	19,423,225	3-1	570,750,520	92-7	615,983,997	90,935,472	14-8	20,751,527	3-4	15,300,469	22-4	181,266,227	29-4	143,069,083	23-3	26,314,726	9-4		

MIDLAND BANK LIMITED

CAPITAL, September, 1942						Market Value, Sept. 8, 1942	PROFITS AND DIVIDENDS					
Authorised	Subscribed	Paid-up	Callable	Reserved	Reserve		Year ended Dec. 31	Net Profit, less tax	Dividend	Rate	Reserves, etc.	Carried Forward
No. of Shares	Denomination	£	£	£	£	£	£	Amount	% of Resources	Amount	£	£
2,869,079	12	34,428,948	7,172,697	7,172,697	20,083,553	26,538,981	1931	2,056,986	0.50	1,738,257	16	850,016
2,000,000	2	4,804,192	4,804,192	Nil	Nil	19,817,295	1932	2,019,143	0.44	1,709,761	16	859,397
5,771,052	1	3,181,731	3,181,731	Nil	Nil	13,760,983	1933	2,256,847	0.49	1,709,761	16	866,483
...	...	£12	£2 10s.	£2 10s.	£7	£91	1934	2,292,217	0.50	1,766,783	16	871,946
...	...	£2 10s.	£1	Nil	Nil	86.6	1935	2,353,099	0.48	1,987,598	18*	947,947
...	...	...	...	...	...	...	1936	2,467,894	0.46	1,738,257	16	877,000
...	...	...	...	...	...	...	1937	2,508,009	0.46	1,764,049	16	880,000
...	...	...	...	...	...	...	1938	2,445,671	0.48	1,758,400	16	883,000
...	...	...	...	...	...	...	1939	2,181,351	0.40	1,667,448	16	886,000
...	...	...	...	...	...	...	1940	1,933,093	0.31	1,455,228	16	889,000
...	...	...	...	...	...	...	1941	1,969,288	0.27	1,212,690	16	892,000

* Includes 2 per cent. centenary bonus.

LIABILITIES						Total Liabilities or Assets	ASSETS					
December 31	No. of Offices open at Dates stated	Paid-up Capital and Reserve Fund	Per Cent.	Profit Balance and Dividend Payable	Per Cent.		Cash in Hand and at Bank of England	Money at Call and Short Notice (b)	Bills Discounted (c)	Investments (d)	Ad Val.	Reserves, etc. (e)
£	£	£	£	£	£	£	£	£	£	£	£	£
1931	2,128	25,748,012	6.3	1,704,897	0.4	19,222,279	4,736,247	498,886	406,922,686	38,505,989	9.5	31,335,676
1932	2,103	25,748,012	5.5	1,714,278	0.4	15,612,723	4,419,282	966,900	462,357,979	43,007,981	9.3	34,945,232
1933	2,105	25,748,012	5.6	1,721,363	0.4	15,833,404	4,419,752	673,900	457,055,452	42,233,852	9.3	34,856,830
1934	2,120	25,748,012	5.6	1,755,323	0.4	15,989,638	4,419,037	922,900	462,530,895	39,129,856	8.5	41,966,659
1935	2,132	25,748,012	5.3	1,571,669	0.3	17,705,711	4,442,083	508,900	487,108,900	48,695,719	10.0	44,345,364
1936	2,136	25,748,012	4.8	1,416,213	0.3	18,600,273	4,486,947	988,900	532,712,486	52,941,373	9.9	50,779,983
1937	2,137	25,748,012	4.8	1,500,213	0.3	20,729,946	4,496,296	377,900	546,084,146	53,968,247	9.9	54,150,297
1938	2,138	25,748,012	5.4	1,507,515	0.3	17,217,848	4,462,742	242,900	509,036,835	53,968,247	9.9	54,150,297
1939	2,064	25,748,012	5.1	1,430,465	0.3	17,447,354	4,462,742	242,900	509,036,835	53,968,247	9.9	54,150,297
1940	2,011	25,748,012	4.4	1,317,379	0.2	14,148,791	4,462,742	242,900	509,036,835	53,968,247	9.9	54,150,297
1941	1,844	25,748,012	3.8	1,233,026	0.2	14,701,723	4,462,742	242,900	509,036,835	53,968,247	9.9	54,150,297
June 30, '42	2,569,230	3.8	(a)	(a)	13,826,461	1.9	639,567,665	94.3	730,963,356	79,202,052	10.8	50,996,518

(a) Included in current, deposit and other accounts.

(c) From 1940 includes Treasury deposit receipts.

(b) Including balances with, and cheques in course of collection on, other banks in the United Kingdom.

(d) Includes shares in Yorkshire Penny Bank: 1931 5, £750,000; there after, £937,500.

NATIONAL PROVINCIAL BANK, LIMITED

CAPITAL						Market Value, Sept. 8, 1942	PROFITS AND DIVIDENDS					
Subscribed	Paid-up	Callable	Reserved	Reserve	Per Share		Year ended Dec. 31	Net Profit	Dividend	Rate	Reserves, etc.	Carried Forward
£	£	£	£	£	£	£	£	Amount	% of Resources	Amount	£	£
43,617,080	9,479,416	5,839,611	28,298,053	35,039,279	£2 8s. 0d.	1931	1,747,008	0.60	1,516,706	16	100,000	804,116
...	...	...	...	...	...	1932	1,593,318	0.50	1,421,912	15	200,000	775,522
...	...	...	...	...	...	1933	1,603,424	0.51	1,421,912	15	200,000	857,034
...	...	...	...	...	...	1934	1,643,760	0.51	1,421,912	15	200,000	878,881
...	...	...	...	...	...	1935	1,665,437	0.51	1,421,912	15	200,000	922,406
...	...	...	...	...	...	1936	1,770,173	0.51	1,421,912	15	200,000	970,667
...	...	...	...	...	...	1937	1,874,960	0.54	1,421,912	15	200,000	973,715
...	...	...	...	...	...	1938	1,771,785	0.53	1,421,912	15	200,000	973,715
...	...	...	...	...	...	1939	1,718,984	0.47	1,421,912	15	200,000	973,715
...	...	...	...	...	...	1940	1,697,539	0.41	1,421,912	15	200,000	973,715
...	...	...	...	...	...	1941	1,057,784	0.21	710,956	15	350,000	543,113

* Less income tax.

LIABILITIES						Total Liabilities or Assets	ASSETS					
Year ended Dec. 31	No. of Offices open at Dates stated	Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.		Cash in Hand and at Bank, etc. (a)	Cash at Call and Short Notice	Investments	Discounts and Advances (c)	Per Cent.	Building and Sundries, including Cover for Acceptances
£	£	£	£	£	£	£	£	£	£	£	£	£
1931	1,374	17,479,416	6.0	804,116	0.3	9,229,529	2,261,925	540,900	289,438,601	39,047,981	13.5	18,792,624
1932	1,371	17,479,416	5.5	775,522	0.2	6,205,501	2,291,822	828,920	316,283,267	39,884,401	12.6	17,690,253
1933	1,361	17,479,416	5.6	857,034	0.3	6,395,008	2,288,397	118,920	315,128,575	43,000,713	13.7	18,167,654
1934	1,350	17,479,416	5.4	878,881	0.3	5,863,022	2,297,368	848,920	321,500,167	43,300,852	13.5	20,667,367
1935	1,343	17,479,416	5.3	922,406	0.3	8,519,824	2,302,703	843,910	329,625,489	41,964,337	12.7	25,580,037
1936	1,335	17,479,416	5.1	970,667	0.3	8,376,087	2,321,157	051,920	347,983,222	44,864,137	12.9	29,436,454
1937	1,327	17,479,416	5.2	973,715	0.2	9,531,975	2,320,537	671,910	348,622,776	44,987,206	12.9	21,845,490
1938	1,324	17,479,416	5.3	973,715	0.2	7,951,839	2,336,313	056,910	336,888,240	44,971,761	13.3	34,991,280
1939	1,233	17,479,416	4.9	520,659	0.1	11,432,180	2,336,313	056,910	336,888,240	44,971,761	13.3	34,991,280
1940	1,179	17,479,416	4.4	546,286	0.1	12,430,364	2,380,781	256,920	411,737,322	57,766,016	14.0	13,390,000
1941	1,143	17,479,416	3.7	543,113	0.1	12,861,230	2,466,215	659,938	497,599,418	71,168,699	14.3	19,907,000
June 30, 1942	17,979,416	3.9	...	...	10,453,731	2.3	432,754,763	93.8	461,187,909	62,399,308	13.5	18,759,442

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom and Ireland and cheques, drafts, etc., in transit.

(b) Includes investments in affiliations.

(c) From 1940 includes Treasury deposit receipts.

WESTMINSTER BANK LIMITED

CAPITAL						Market Value, Sept. 8, 1942	PROFITS AND DIVIDENDS					
Authorised	Paid-up	Callable	Reserved	Reserve	Per Share		Year ended Dec. 31	Net Profit	Dividend	Rate	Reserves and other Appropriations	Carried Forward
£	£	£	£	£	£	£	£	Amount	% of Resources	Amount	£	£
30,000,000	7,070,990	7,070,990	14,141,980	29,167,833	£4 2s. 6d.	1931	1,601,882	0.52	1,184,867	18	450,000	431,256
3,000,000	2,249,167	Nil	Nil	7,703,394	£3 8s. 6d.	1932	1,495,171	0.44	1,165,443	18	300,000	460,984
...	...	...	...	...	...	1933	1,464,955	0.43	1,165,443	18	300,000	460,984
...	...	...	...	...	...	1934	1,524,880	0.42	1,204,291	18	300,000	481,085
...	...	...	...	...	...	1935	1,402,656	0.38	1,313,891	18	200,000	369,849
...	...	...	...	...	...	1936	1,731,955	0.42	1,184,867	18	400,000	516,937
...	...	...	...	...	...	1937	1,750,589	0.43	1,271,508	18	500,000	496,018
...	...	...	...	...	...	1938	1,557,161	0.39	1,126,595	18	400,000	526,584
...	...	...	...	...	...	1939	1,475,745	0.36	1,068,323	18	400,000	534,006
...	...	...	...	...	...	1940	1,310,630	0.29	893,506	18	400,000	551,129
...	...	...	...	...	...	1941	1,189,696	0.23	776,962	18	400,000	563,863

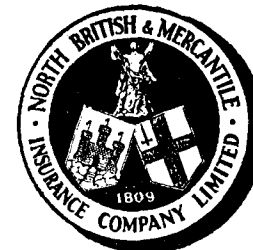
† Includes centenary bonus of 2 per cent. on the £4 shares.

‡ Includes bonus of 2 per cent. on the £4 shares.

Continued on page 24

NORTH BRITISH & MERCANTILE INSURANCE CO., LTD.

Security & Service



61 THREADNEEDLE ST., LONDON, E.C.2 64 PRINCES ST., EDINBURGH, 2

keep on buying

3%

DEFENCE BONDS

£5 and multiples of £5.

Income Tax NOT deducted at source.

Bonus of £1 on every
£100 at the end of ten
years.

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SECURITY!

Life has a sense of firm foundation to
those who have

SAFEGUARDED

the future

PROTECT

Your dependents and

PROVIDE

for retirement by a

REFUGE POLICY

Assets - - - £77,000,000
Claims Paid - - - £140,000,000

(1941 Accounts)

REFUGE ASSURANCE COMPANY LIMITED

OXFORD ST., MANCHESTER, 1

WESTMINSTER BANK LIMITED—Continued from page 22

Year Ended Dec. 31	No. of Offices open at dates stated	LIABILITIES							Total Liabilities Assets	ASSETS						
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances and Endorse- ments	Per Cent.	Notes*		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances	Per Cent.	Invest- ments
1931	1,083	16,820,157	5.4	1,013,977	0.3	18,561,389	6.0	16,144	272,405,692	308,817,359	40,857,454	13.2	23,628,294	7.7	165,572,678	53.6
1932	1,073	16,820,157	5.0	1,043,705	0.3	22,327,285	6.6	16,624	298,182,935	338,990,706	41,360,165	12.2	22,107,807	6.2	172,612,957	51.1
1933	1,072	16,820,157	4.9	1,043,217	0.3	31,847,225	9.2	15,187	294,739,761	344,465,547	45,024,055	13.1	12,210,807	3.4	144,846,688	42.4
1934	1,082	16,840,314	5.1	1,083,290	0.3	37,377,099	10.3	14,632	303,653,206	362,768,478	46,407,151	12.8	12,685,851	3.5	144,846,688	42.4
1935	1,090	16,840,314	5.1	1,081,595	0.3	22,460,265	6.2	13,444	322,675,384	364,871,002	51,555,685	14.2	18,548,513	5.1	158,685,963	43.4
1936	1,094	16,840,314	4.7	1,109,370	0.3	20,556,532	5.0	13,774	367,877,506	408,197,496	53,291,340	13.4	18,548,513	5.1	158,685,963	43.4
1937	1,098	16,840,314	4.6	1,184,805	0.3	20,945,433	5.1	13,661	368,855,148	408,197,496	53,291,340	13.4	18,548,513	5.1	158,685,963	43.4
1938	1,098	16,840,314	4.6	1,089,882	0.3	24,176,283	6.2	12,927	346,220,783	390,140,189	49,853,024	12.8	18,548,513	5.1	158,685,963	43.4
1939	1,095	16,840,314	4.6	1,039,032	0.3	20,912,245	5.1	13,858	366,478,334	407,083,783	53,946,972	13.3	18,548,513	5.1	158,685,963	43.4
1940	1,026	16,840,314	4.1	997,882	0.2	26,795,852	5.8	18,118	410,176,803	456,628,969	63,978,165	14.0	18,548,513	5.1	158,685,963	43.4
1941	994	16,840,314	3.6	952,344	0.2	29,338,330	5.6	18,366	469,944,803	518,894,157	73,129,153	14.1	18,548,513	5.1	158,685,963	43.4
June 30, 1942	18,640,314	3.8	...	...	...	16,785,826	3.4	16,117	455,374,641	490,816,898	69,039,157	14.1	18,548,513	5.1	158,685,963	43.4

* In circulation in the Isle of Man.

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

(b) Includes Treasury deposit receipts from 1940.

(c) Includes investments in affiliated companies.

WILLIAMS DEACON'S BANK, LIMITED

Year Ended Dec. 31	CAPITAL				Year Ended Dec. 31	PROFITS AND DIVIDENDS				
	Subscribed	Paid-up	Callable	Reserved		Net Profits	Per Cent. of Resources	Dividends	Rate	Reserves and other Appro- priations
1931	£ 8,125,000	£ 1,875,000	£ 1,562,500	£ 4,687,500	1931	275,465	0.82	234,375	12%	40,000
1932	8,125,000	1,875,000	1,562,500	4,687,500	1932	268,005	0.71	234,375	12%	25,000
1933	8,125,000	1,875,000	1,562,500	4,687,500	1933	272,995	0.71	234,375	12%	25,000
1934	8,125,000	1,875,000	1,562,500	4,687,500	1934	274,180	0.71	234,375	12%	25,000
1935	8,125,000	1,875,000	1,562,500	4,687,500	1935	278,536	0.69	234,375	12%	30,000
1936	8,125,000	1,875,000	1,562,500	4,687,500	1936	293,636	0.70	234,375	12%	30,000
1937	8,125,000	1,875,000	1,562,500	4,687,500	1937	310,921	0.72	234,375	12%	30,000
1938	8,125,000	1,875,000	1,562,500	4,687,500	1938	301,418	0.70	234,375	12%	30,000
1939	8,125,000	1,875,000	1,562,500	4,687,500	1939	298,865	0.64	234,375	12%	30,000
1940	8,125,000	1,875,000	1,562,500	4,687,500	1940	292,673	0.52	234,375	12%	30,000
1941	8,125,000	1,875,000	1,562,500	4,687,500	1941	184,170	0.27	117,188	12%	130,000

Year Ended Dec. 31	No. of Offices open at dates stated	LIABILITIES							Total Liabilities or Assets	ASSETS						
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances, etc.	Per Cent.	Deposit and Current Accounts		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Discounts and Advances	Per Cent.	Invest- ments
1931	202	2,675,000	8.0	145,405	0.4	1,561,497	4.7	29,043,586	33,425,488	4,211,102	12.6	3,274,807	9.8	15,923,271	47.6	7,408,886
1932	202	2,675,000	7.1	154,035	0.4	1,164,066	3.1	33,812,463	37,805,564	5,961,067	15.8	4,816,463	12.7	15,086,118	39.8	9,753,892
1933	202	2,675,000	6.9	167,654	0.4	2,430,036	6.2	33,498,484	38,771,174	6,306,885	16.3	5,818,038	14.2	13,581,376	34.9	10,124,277
1934	203	2,675,000	6.9	177,459	0.5	2,068,097	5.3	33,742,876	38,663,432	6,003,721	15.5	6,116,738	15.8	13,887,772	35.9	9,875,360
1935	205	2,675,000	6.6	191,620	0.5	2,047,759	5.1	35,429,629	40,344,008	6,172,435	15.3	7,287,369	18.1	14,484,851	34.6	9,703,368
1936	205	2,675,000	6.4	220,882	0.5	1,360,678	3.3	37,577,981	41,834,541	6,458,137	15.4	6,800,269	16.3	14,484,851	34.6	12,878,342
1937	206	2,675,000	6.2	267,428	0.6	1,526,551	3.5	38,564,411	43,033,390	7,086,888	16.4	6,036,683	14.0	16,442,422	38.2	11,504,635
1938	209	2,775,000	6.4	204,471	0.5	1,996,530	4.6	38,335,188	43,311,189	8,198,049	17.5	7,888,196	15.1	16,742,673	35.6	11,597,383
1939	202	2,775,000	5.9	237,313	0.5	2,315,907	4.9	41,631,303	46,959,523	10,606,895	18.9	7,556,268	13.5	19,657,549	35.0	14,928,255
1940	197	2,775,000	5.0	265,611	0.5	2,212,753	3.9	50,864,914	56,118,278	11,263,672	16.8	6,080,900	9.0	26,817,228	40.0	20,060,812
1941	196	2,875,000	4.3	144,000	0.2	1,788,144	2.7	62,314,800	67,121,944	11,143,038	16.6	5,420,782	8.0	26,391,856	39.3	21,162,036
June 30, 1942	2,875,000	4.3	...	...	...	2,146,306	3.2	62,197,729	67,219,035	11,143,038	16.6	5,420,782	8.0	26,391,856	39.3	21,162,036

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

(b) From 1940 includes Treasury deposit receipts.

YORKSHIRE PENNY BANK, LIMITED

December 31	LIABILITIES				ASSETS						
	Capital and Reserves	Deposits and other Accounts, etc.	Uncalled Capital	Cash in Hand, at Bank of England, and at Short Notice	British Govt. Securities	Colonial Govt. and English Corp. Stocks	Loans to Local Authorities	Loans on Security and other Accounts	Premises		
1937	2,500,000	38,119,733	500,000	9,331,099	27,469,529	35,698	£	3,233,408	550,000	£	£
1938	2,500,000	39,251,804	500,000	8,089,656	29,998,293	...	...	3,113,855	550,000	£	£
1939	2,500,000	38,745,860	500,000	7,466,921	30,211,340	...	...	3,017,498	550,000	£	£
1940	2,500,000	39,051,646	500,000	7,030,226	31,057,526	...	...	2,913,794	550,000	£	£
1941	2,500,000	44,968,982	500,000	9,306,291	35,039,509	...	...	2,573,082	550,000	£	£

ERLANGERS LIMITED

December 31	LIABILITIES				ASSETS						
	Capital and Reserves	Current, Deposit and other Accounts, etc.	Current Accounts of Sub- sidiary Companies	Accept- ances on Account of Customers	Cash in Hand and with Bankers	Cash at Call and Short Notice	British Govt. Treasury Bills	Bills Receivable	British Govt. Securities	Dominion and Col. Govt. and Corp. Stocks and Bonds	Advances, etc.
1937	1,925,000	5,054,265	8,815	4,730,099	1,300,661	935,000	619,255	283,405	321,047	212,700	469,578
1938	1,925,000	4,967,394	8,611	4,448,957	467,690	890,000	524,145	310,980	310,980	154,105	525,936
1939	1,925,000	2,164,597	9,717	2,475,404	295,383	710,000	394,144	226,689	251,875	...	398,664
1940	1,925,000	1,416,948	10,200	2,291,007	408,056	490,000	399,242	...	100,000	...	330,543
1941	1,925,000	1,560,332	10,726	2,743,384	297,926	510,000	638,866	...	224,750	...	314,375

1563

1831



MARTINS BANK LIMITED

Chairman: FREDERIC A. BATES, M.C., A.F.C., D.L.
Deputy Chairmen: Rt. Hon. LORD COLWYN, P.C., D.L., U.D.
R. M. HOLLAND-MARTIN, C.B.
A. HAROLD BIBBY, D.S.O., D.L.
Director and Chief General Manager: J. M. FURNISS

Complete Banking Service

EXECUTORSHIPS AND
TRUSTEESHIPS UNDERTAKEN

Total Assets £172,000,000

LONDON DISTRICT HEAD OFFICE: 68 LOMBARD STREET, E.C.3
HEAD OFFICE: WATER STREET, LIVERPOOL, 2

B. W. BLYDENSTEIN
& CO.54-55-56 THREADNEEDLE STREET,
LONDON, E.C.2.

BANKERS

ALL BANKING AND
DISCOUNT BUSINESS
TRANSACTED.

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tained on application.



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LIMITED

Head Office: 41 Lothbury, London, E.C.2

PRIVATE BANKS OF ENGLAND AND WALES

B. W. BLYDENSTEIN AND COMPANY, LONDON

Year Ended December 31	LIABILITIES					Total Liabilities or Assets	ASSETS							
	Partners' Capital and Reserves	Per Cent.	Miscel- laneous	Per Cent.	Deposit and Current Accounts		Cash and Money at Call	Per Cent.	Invest- ments	Per Cent.	Advances Loans, Bills, etc.	Per Cent.	Premises, etc.	Per Cent.
1931.....	700,000	8.1	99,922	1.2	7,851,622	90.7	8,651,544	119.913	1.4					
1932.....	100,000	3.8	12,637	0.5	2,906,176	95.7	2,618,807	186,937	7.1					
1933.....	100,000	3.4	14,457	0.5	2,839,286	95.1	2,953,743	242,194	8.2					
1934.....	100,000	3.7	3,296	0.1	2,560,927	96.2	2,664,223	1,370,559	51.4					
1935.....	100,000	3.2	5,173	0.2	3,053,209	96.6	3,158,382	1,926,350	61.0					
1936.....	100,000	2.7	3,020	0.1	3,557,078	97.2	3,660,098	2,133,759	58.2					
1937.....	100,000	3.7	2,463	0.1	2,596,391	96.2	2,698,854	1,809,034	7.0					
1938.....	100,000	3.1	2,010	0.1	3,113,793	96.8	3,215,804	382,563	11.9					
1939.....	100,000	2.6	8,898	0.2	3,704,491	97.2	3,813,389	317,121	8.3					
1940.....	100,000	1.9	7,758	0.1	5,144,501	98.0	5,252,259	664,733	12.6					
1941.....	100,000	1.5	6,652	0.1	6,526,128	98.4	6,632,780	2,034,935	30.7					

† Provided by the Twentsche Bank (London) Ltd., which has an authorised and subscribed capital of £1,000,000.
 ‡ Nine months ended Sept. 30.
 ** Year ended Sept. 30.
 * Includes Treasury Bills.

HOARE (CHAS.) AND COMPANY

Year Ended July 5	LIABILITIES				Total Liabilities or Assets	ASSETS									
	Partners' Capital and Reserves	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bank, and at Call and Short Notice	Per Cent.	British Government Securities	Per Cent.	Other Securities and Investments	Per Cent.	Discounts and Advances	Per Cent.	Premises, etc.	Per Cent.
1932	£ 500,000	16.9	2,463,636	83.1	2,963,636	£ 858,582	28.9	588,850	19.9	162,688					
1933	500,000	12.2	3,592,297	87.8	4,092,297	1,179,450	28.9	894,483	21.9		5.5	1,253,416	42.3	£	
1934	500,000	13.2	3,288,995	86.8	3,788,995	1,022,367	27.1	1,159,200	30.6		6.6	1,646,645	40.2	100,000	3.4
1935	500,000	11.9	3,711,318	88.1	4,221,318	1,122,347	26.7	1,341,086	31.8		5.4	1,301,687	34.3	100,000	2.6
1936	500,000	11.4	3,658,504	88.6	4,155,504	1,176,466	27.0	1,291,210	29.6		4.8	1,447,418	34.3	100,000	2.4
1937	500,000	11.9	3,686,793	88.1	4,186,793	977,761	23.3	832,950	19.9		6.1	1,524,432	35.0	100,000	2.3
1938	500,000	12.6	3,476,892	87.4	3,976,892	1,091,445	23.3	812,499	19.9		10.8	1,824,913	43.6	100,000	2.4
1939	500,000	13.0	3,362,925	87.0	3,862,925	1,083,349	28.1	745,707	20.4		8.8	1,796,901	43.6	100,000	2.4
1940	500,000	12.5	3,508,679	87.5	4,008,679	1,162,997	29.0	1,102,792	27.5		9.7	1,557,402	45.2	100,000	2.9
1941	500,000	12.5	3,504,300	87.5	4,004,300	1,106,363	27.6	1,386,343	34.7		5.8	1,411,771	40.3	100,000	2.6
1942	500,000	12.4	3,529,365	87.6	4,029,365	940,989	23.3	1,480,759	36.7		7.8	1,098,391	27.4	100,000	2.8
											7.1	1,222,339	30.4	100,000	3.0

S. JAPHET AND COMPANY, LIMITED

December 31	LIABILITIES				Total Liabilities or Assets	ASSETS							
	Capital and Reserves	Deposit, Current and Other Accounts	Acceptances for Customers	Per Cent.		Cash in Hand and at Bankers	Cash at Call and Short Notice	Treasury Bills and Other Govt. Securities	Other Securities	Bills Discounted	Advances, Balances Abroad, and Other Accounts	Premises	Per Cent.
1937.....	1,550,000	2,446,983	2,259,774		392,234	1,448,488	335,875	299,349	62,135	1,278,901	180,000		
1938.....	1,500,000	2,328,223	2,645,727		395,331	1,442,302	279,800	265,062	40,450	1,123,278	180,000		
1939.....	1,400,000	1,121,382	830,267		143,604	690,604	50,000	150,397	10,109	1,795,567	180,000		
1940.....	1,300,000	611,781	126,382		118,071	300,000	50,000	151,278		1,481,586	180,000		
1941.....	1,300,000	521,629	107,725		94,545	300,000	45,000	137,960		1,413,279	180,000		

LONDON DISCOUNT COMPANIES
ALEXANDERS DISCOUNT COMPANY, LIMITED

Year Ended Dec. 31	LIABILITIES				Total Liabilities or Assets	ASSETS							
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.		Cash at Bankers	Per Cent.	Bills Dis- counted	Per Cent.	Invest- ments	Per Cent.	Loans and Sundry Accounts	Per Cent.
1931.....	2,000,000	6.9	128,784	0.4	23,269,915	80.0	3,404,939	11.7	289,062	1.0	29,092,700	612,911	2.1
1932.....	2,000,000	6.8	156,007	0.4	25,643,627	87.6	1,356,699	4.6	182,854	0.6	29,339,187	618,136	2.1
1933.....	2,000,000	7.2	161,336	0.6	25,159,642	89.5	597,410	2.1	180,506	0.6	28,098,894	622,597	2.2
1934.....	2,000,000	7.8	190,813	0.7	22,341,653	86.3	1,199,984	4.6	160,051	0.6	25,892,501	640,122	2.4
1935.....	2,000,000	7.7	211,875	0.8	22,298,649	85.7	1,361,657	5.2	161,374	0.6	26,033,555	646,261	2.5
1936.....	2,000,000	6.4	212,425	0.7	28,222,417	89.6	898,838	2.8	140,250	0.5	31,473,929	653,126	2.1
1937.....	2,000,000	6.6	214,500	0.7	28,683,054	87.7	1,374,670	4.5	152,748	0.5	30,424,973	674,171	2.1
1938.....	2,000,000	5.7	217,000	0.6	31,262,965	89.5	1,391,163	3.7	163,131	0.5	34,934,260	679,688	1.9
1939.....	2,000,000	5.8	237,000	0.7	31,131,877	89.5	1,037,544	3.0	194,661	0.5	34,601,081	679,688	1.9
1940.....	2,000,000	4.9	246,570	0.6	37,617,721	92.6	1,635,837	1.3	201,797	0.5	40,601,925	679,688	1.9
1941.....	2,000,000	4.5	258,187	0.6	40,805,733	93.1	580,746	1.3	211,380	0.5	43,853,046	686,080	1.4

† Includes preference dividend.

NATIONAL DISCOUNT COMPANY, LIMITED

					PROFITS AND DIVIDENDS					Reserves, etc. £	Carried Forward £
Year Ended Dec. 31	Net Profits £	Per Cent. of Resources	Dividends								
			Amount £	Rate %							
1931.....	131,524	0.27	135,406	{ A 10 B 24 }	...	172,306					
1932.....	139,034	0.27	135,550	{ A 10 B 24 }	...	175,790					
1933.....	137,766	0.25	135,550	{ A 10 B 24 }	...	178,006					
1934.....	161,003	0.35	140,068	{ A 10 B 24 }	10,000	188,941					
1935.....	179,456	0.35	149,006	{ A 10 B 26 }	10,000	209,390					
1936.....	179,215	0.31	146,603	{ A 10 B 26 }	10,000	232,001					
1937.....	188,961	0.33	144,200	{ A 10 B 26 }	60,000	216,763					
1938.....	195,203	0.37	139,393	{ A 10 B 26 }	55,000	217,572					
1939.....	196,362	0.37	130,453	{ A 10 B 26 }	55,000	228,481					
1940.....	188,445	0.33	114,207	{ A 10 B 26 }	100,000	202,719					
1941.....	180,515	0.31	96,133	{ A 10 B 26 }	50,000	237,101					

CAPITAL				Market Value, Sept. 8, 1942 £
Subscribed £	Paid-up £	Callable £	Reserved £	
2,153,335	1,000,000	1,153,335	Nil	4,122,334
Per Share	Per Share	Per Share	Per Share	Per Share
A £2 10s.	£2 10s.	Nil	Nil	£6½
B £7 10s.	£2 10s.	£5	Nil	£13½

* Excluding Treasury Bills.

UNION DISCOUNT COMPANY OF LONDON, LIMITED

CAPITAL*		Market Value, Sept. 8, 1942		Per £1 of Stock	
Authorized and Issued £ 2,750,000	Reserved £ Nil	£	6,531,250	£3 7s. 6d.	

Year Ended Dec. 31	Net Profit £	Per Cent. of Resources	PROFITS AND DIVIDENDS		Allocations to Reserves, etc., £	Carried Forward £
			Amount £	Dividend Rate %		
1931.....	203,856.	0.42	189,843	20†	10,000	303,669
1932.....	225,828	0.36	187,500	20†	15,000	326,997
1933.....	228,016	0.37	187,500	20†	15,000	352,514
1934.....	230,833	0.38	193,750	20†	15,000	374,597
1935.....	233,840	0.33	193,750	20†	15,000	399,687
1936.....	243,576	0.35	204,286	20*	265,000	173,976
1937.....	250,538	0.35	206,250	10‡	15,000	203,264
1938.....	261,158	0.41	199,375	10	15,000	250,047
1939.....	274,610	0.32	186,485	10	15,000	323,172
1940.....	230,513	0.17	163,281	10	15,000	375,404
1941.....	237,772	0.27	137,500	10	Nil	475,676

JOINT STOCK BANKS OF SCOTLAND
BANK OF SCOTLAND

CAPITAL										PROFITS AND DIVIDENDS												
Authorised	Issued	Paid-up	Reserved	Year Ended Feb. 28	Net Profits	Per Cent. of Resources	Dividends	Reserves, Investments, etc.	Carried Forward	Per Cent. of Resources	Amount	Rate	Investments, etc.	Carried Forward								
£4,500,000	£2,400,000	£2,400,000	£Nil	1931	366,870	0.90	209,250	18	130,000	200,677	1932	249	4,500,000	2,400,000	2,400,000	Nil	268,180	0.70	202,500	18	50,000	215,757
				1933	312,900	0.71	202,500	18	100,000	226,157	1934	251	4,500,000	2,400,000	2,400,000	Nil	307,022	0.70	202,500	18	80,000	250,679
				1935	310,887	0.70	202,500	18	100,000	252,316	1936	251	4,500,000	2,400,000	2,400,000	Nil	316,092	0.64	202,500	18	105,000	254,158
				1936	316,092	0.64	202,500	18	105,000	255,995	1937	251	4,500,000	2,400,000	2,400,000	Nil	317,713	0.66	202,500	18	110,000	255,995
				1937	317,713	0.66	202,500	18	105,000	255,995	1938	251	4,500,000	2,400,000	2,400,000	Nil	313,253	0.61	204,164	12	105,000	255,918
				1938	313,253	0.61	204,164	12	105,000	255,918	1939	251	4,500,000	2,400,000	2,400,000	Nil	305,634	0.60	208,800	12	95,000	151,918
				1939	305,634	0.60	208,800	12	95,000	151,918	1940	251	4,500,000	2,400,000	2,400,000	Nil	274,548	0.49	168,000	11	105,000	153,467
				1940	274,548	0.49	168,000	11	105,000	153,467	1941	251	4,500,000	2,400,000	2,400,000	Nil	253,905	0.40	151,800	11	100,000	155,572
				1941	253,905	0.40	151,800	11	100,000	155,572	1942	251	4,500,000	2,400,000	2,400,000	Nil	232,645	0.35	132,000	11	100,000	156,217
				1942	232,645	0.35	132,000	11	100,000	156,217												
Authorised note issue £396,852.																						
LIABILITIES										ASSETS												
Year Ended Feb. 28	No. of Offices open at dates stated	Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Acceptances	Per Cent.	Miscellaneous Credits, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank	Per Cent.	Discounts and Advances	Per Cent.	Investments and Money at Call	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1932	243	4,500,000	9.3	317,007	0.8	3,063,722	8.0	500,094	1.3	235,434	0.6	30,828,264	80.0	38,544,521	4,541,078	11.8	16,821,063	43.7	16,282,286	42.2	900,094	2.3
1933	249	3,660,000	8.3	327,407	0.7	3,040,873	6.9	331,707	1.0	381,280	0.9	36,049,095	81.3	44,290,362	5,020,224	11.2	13,939,732	29.2	29,398,699	56.7	1,231,707	2.8
1934	251	3,700,000	8.5	351,929	0.8	2,980,601	6.9	625,424	1.2	413,352	1.0	35,074,014	81.4	43,541,320	5,555,031	12.3	12,059,281	27.7	25,994,188	58.3	1,025,424	2.3
1935	252	3,750,000	8.5	356,942	0.8	3,053,576	6.8	535,346	1.2	464,905	0.4	36,653,815	82.3	44,514,484	4,918,107	11.0	12,716,843	28.5	25,944,188	58.3	1,025,424	2.3
1936	253	3,800,000	7.7	358,783	0.7	3,128,569	4.1	1,855,968	3.8	537,188	1.3	39,615,484	80.3	49,198,992	5,381,274	11.0	13,158,701	26.7	28,403,050	57.7	1,255,967	4.0
1937	253	3,850,000	8.0	358,933	0.7	3,239,247	7.2	1,451,934	5.1	665,602	1.7	37,635,690	74.5	51,466,313	5,322,884	11.0	10,751,478	20.9	30,909,794	60.0	1,477,585	8.0
1938	253	3,850,000	8.7	252,999	0.5	3,363,767	6.5	3,712,585	7.2	388,512	0.7	39,998,077	81.4	48,201,414	5,627,456	11.0	10,651,363	22.2	29,340,232	60.0	1,477,585	8.0
1939	263	4,500,000	8.9	256,318	0.5	3,414,725	6.7	4,448,119	8.7	568,543	0.7	37,851,691	78.5	51,466,313	5,908,151	11.0	10,610,337	20.9	29,697,799	58.4	4,913,119	10.2
1940	262	4,500,000	8.0	243,467	0.4	3,941,242	9.0	5,261,273	9.3	256,190	0.5	42,137,116	74.8	56,338,288	6,558,826	11.1	12,903,862	22.3	31,141,527	55.5	3,735,073	10.2
1941	262	4,500,000	7.2	238,372	0.4	4,834,527	7.7	4,858,946	7.7	706,983	1.4	47,596,107	75.9	62,734,933	7,780,838	12.4	15,367,528	24.4	34,249,723	54.6	6,536,846	8.5
1942	262	4,500,000	6.7	228,217	0.4	5,939,173	8.9	4,322,846	6.5	1,086,590	1.6	50,593,844	75.9	66,670,670	9,302,403	14.0	15,329,782	23.0	37,331,739	55.8	8,806,746	7.9

From 1940 includes Treasury deposit receipts.

THE BRITISH LINEN BANK

CAPITAL				Year Ended Jan. 15	Net Profits	PROFITS AND DIVIDENDS			Reserves, Investments, etc.	Carried Forward
Subscribed £	Paid-up £	Callable	Reserved £			Per Cent. of Resources	Dividends Amount	Rate "		
1,250,000	1,250,000	Nil	Nil	1932	293,530	0.88	150,000	16	120,000	86,677
				1933	292,045	0.77	150,000	16	130,000	98,722
				1934	272,861	0.71	150,000	16	125,000	96,584
				1935	286,310	0.76	150,000	16	130,000	97,894
				1936	289,963	0.71	150,000	16	150,000	82,857
				1937	293,388	0.76	150,000	16	125,000	98,745
				1938	290,203	0.63	150,000	16	140,000	98,948
				1939	276,713	0.62	145,000	16	130,000	100,661
				1940	260,327	0.59	137,500	16	125,000	98,488
				1941	231,684	0.52	115,000	16	115,000	100,172
				1942	204,283	0.41	100,000	16	105,000	

Note issue, £438,024.

* From 1940 includes Treasury deposit receipts.

THE BRITISH LINEN BANK

CAPITAL					PROFITS AND DIVIDENDS						
Subscribed £	Paid-up £	Callable £	Reserved £		Year Ended Jan. 15	Net Profits	Per Cent. of Resources	Dividends Amount	Rate " "	Reserves, Investments, etc.	Carried Forward
1,250,000	1,250,000	Nil	Nil		1932	293,530	0.88	150,000	16	120,000	86,677
					1933	292,045	0.77	150,000	16	130,000	98,722
					1934	272,861	0.71	150,000	16	125,000	96,584
					1935	286,310	0.76	155,000	16	130,000	97,894
					1936	289,963	0.71	155,000	16	150,000	82,857
					1937	293,388	0.76	152,500	16	125,000	98,745
					1938	290,203	0.63	150,000	16	140,000	98,948
					1939	276,713	0.62	145,000	16	130,000	100,661
					1940	260,327	0.59	137,500	16	125,000	98,488
					1941	231,684	0.52	115,000	16	115,000	100,172
					1942	204,283	0.41	100,000	16	105,000	

* From 1940 includes Treasury deposit receipts.

THE CLYDESDALE BANK LIMITED

CAPITAL				PROFITS AND DIVIDENDS						
Subscribed	Paid-up	Reserved		Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate %	To Reserve, etc.	Carried Forward
5,350,000	1,300,000	4,000,000		1931	330,920	0.93	208,000	16	125,000	90,462
				1932	310,010	0.79	208,000	16	100,000	92,472
				1933	301,265	0.79	208,000	16	90,000	95,737
				1934	310,195	0.81	208,000	16	100,000	97,933
				1935	312,472	0.75	208,000	16	102,405	102,405
100,000 shares of £50.....	Per Share £10	Per Share £40		1936	315,518	0.75	208,000	16	105,000	91,173
30,000 shares of £10.....	£10	Nil		1937	320,249	0.72	229,000*	16	105,000	91,004
				1938	316,941	0.73	208,000	16	110,000	88,068
				1939	313,890	0.68	208,000	16	110,000	85,934
				1940	310,064	0.60	208,000	16	105,000	
				1941	315,866	0.51	208,000	16	110,000	

Authorised note issue, £274,321.

* Includes Centenary Honorary

* Includes Centenary Bonus to staff and pensioners of £21,000.

Year Ended Dec. 31	No. of Offices open at dates stated	LIABILITIES										Total Liabilities or Assets	ASSETS												
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Miscellaneous Credits, etc.	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank	Per Cent.	Invest- ments and Money at Call	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Accept- ances	Per Cent.			
1931	201	2,900,000	8-2	246,462	0-7	2,713,516	7-7	619,136	1-8	626,395	1-8	28,219,064	79-5	35,324,573	1-6	32,000,000	91-3	5,206,603	14-7	11,858,320	33-7	16,923,640	47-9	1,296,010	3-5
1932	202	2,900,000	7-5	248,472	0-6	2,630,266	6-7	641,992	1-6	611,974	1-6	32,000,899	82-7	39,033,603	1-6	35,324,573	91-3	4,905,325	12-6	17,814,903	44-9	15,011,966	38-4	1,331,391	3-3
1933	202	2,900,000	7-6	251,137	0-7	2,668,381	7-0	788,922	2-1	...	...	31,280,777	82-7	37,889,817	...	31,280,777	82-7	4,585,709	13-2	18,509,428	44-9	13,345,184	35-2	1,444,933	3-8
1934	202	2,900,000	7-6	259,737	0-7	2,730,748	7-1	834,968	2-2	...	...	31,496,403	82-7	38,221,251	...	31,496,403	82-7	4,345,561	15-9	20,489,049	44-9	12,946,409	33-1	1,486,433	3-9
1935	207	2,950,000	7-1	263,605	0-6	2,681,695	7-2	942,566	2-2	...	...	34,620,116	83-2	41,514,933	...	34,620,116	83-2	4,345,561	15-9	20,489,049	44-9	12,946,409	33-1	1,486,433	3-9
1936	207	3,000,000	6-9	247,173	0-6	2,900,981	6-8	755,755	1-7	...	...	34,893,533	82-7	42,102,312	...	34,893,533	82-7	4,345,561	15-9	20,489,049	44-9	12,946,409	33-1	1,486,433	3-9
1937	207	3,050,000	6-8	245,914	0-6	3,013,087	7-0	1,101,844	2-6	...	...	37,401,468	84-6	44,355,341	...	37,401,468	84-6	4,345,561	15-9	20,489,049	44-9	12,946,409	33-1	1,486,433	3-9
1938	205	3,100,000	6-8	242,004	0-5	3,279,641	7-1	1,273,087	2-8	...	...	38,165,832	84-6	45,192,164	...	38,165,832	84-6	4,345,561	15-9	20,489,049	44-9	12,946,409	33-1	1,486,433	3-9
1939	200	3,200,000	6-2	207,668	0-4	3,546,373	6-8	1,400,125	2-7	...	...	43,552,521	83-3	51,744,641	...	43,552,521	83-3	4,345,561	15-9	20,489,049	44-9	12,946,409	33-1	1,486,433	3-9
1940	203	3,250,000	5-2	189,934	0-3	3,418,270	7-1	1,756,303	2-8	...	...	52,662,532	84-6	62,277,039	...	52,662,532	84-6	4,345,561	15-9	20,489,049	44-9	12,946,409	33-1	1,486,433	3-9

* From 1940 includes Treasury deposit receipts.

* From 1940 includes Treasury deposit receipts.

BANK OF SCOTLAND

CONSTITUTED BY ACT OF PARLIAMENT 1695

AUTHORISED CAPITAL	£4,500,000
CAPITAL FULLY PAID	£2,400,000
RESERVE FUND and BALANCE CARRIED FORWARD	£2,256,217
DEPOSITS and CREDIT BALANCES as at 28th February, 1942	£50,593,844

Governor: The Rt. Hon. LORD ELPHINSTONE, K.T. Deputy Governor: THE LORD HENRY SCOTT
J. B. CRAWFORD, Treasurer.

Head Office: THE MOUND, EDINBURGH

GLASGOW, Chief Office: 2 ST. VINCENT PLACE. JAMES CRAIG, Manager.

LONDON OFFICES: City Office—30 BISHOPSGATE, E.C.2. A. BALLINGALL, Manager.

Piccadilly Circus Branch—16/18 PICCADILLY, W. C. D. ALLISON, Manager.

Over 200 Branches and Sub-Branches in Edinburgh, Glasgow, and throughout Scotland
Every description of British and Foreign Banking Business transacted

THE BRITISH LINEN BANK

Incorporated by Royal Charter 1746

LONDON OFFICES:

City Office - 38 Threadneedle Street, E.C.2

West End Branch - 198 Piccadilly, W.1

where accounts may be opened on usual London terms

Head Office: 38 St. Andrew Square, Edinburgh

Branches throughout Scotland

Affiliated to Barclays Bank Limited.

The Clydesdale Bank Limited

ESTABLISHED 1838

HEAD OFFICE: 30 ST. VINCENT PLACE, GLASGOW

ANDREW MITCHELL - GENERAL MANAGER

Foreign Exchange Branch: 91 Buchanan St., Glasgow.

Edinburgh Office: 29 George St., Edinburgh

London Offices: City: 30 Lombard St., E.C.3

West End: 31 Regent St., S.W.1

CAPITAL ISSUED £5,300,000

RESERVE SURPLUS FUND £1,950,000

CAPITAL PAID UP £1,300,000

DEPOSITS [31st Dec. 1941] £52,662,531

Money received on Deposit at call and short notice at current rates of interest and for longer periods at Special Terms.

AFFILIATED TO MIDLAND BANK LIMITED WITH OVER 1,800 BRANCHES.

THE
Commercial Bank of Scotland
LIMITED

Established 1810.

Incorporated by Royal Charter and Act of Parliament

OVER 300 BRANCHES AND SUB-OFFICES IN SCOTLAND AS WELL AS
THE FOLLOWING LONDON OFFICES:—

CITY: 62 LOMBARD STREET, E.C.3

KINGSWAY: IMPERIAL HOUSE, 15 KINGSWAY, W.C.2

PICCADILLY: 4 OLD BOND STREET, W.1

Head Office:

14 George Street, EDINBURGH

COMMERCIAL BANK OF SCOTLAND, LIMITED

	CAPITAL			
	Subscribed	Paid-up	Callable	Reserved
"A"	7,000,000	1,750,000	2,450,000	2,800,000
"B"	500,000	500,000	Nil	Nil
Per Share	£4	£1	£1	£1
"A"	£4	£1	£1	£1
"B"	£1	£1	Nil	Nil

Authorised issue, £374,880.

Year Ended Oct. 31	Net Profits	Per Cent. of Resources	PROFITS AND DIVIDENDS		Reserve, etc.	Carried Forward
			Amount	Rate		
1931	385,736	0.90	251,625	16	130,000	75,710
1932	377,061	0.82	247,500	16	130,000	75,331
1933	386,630	0.83	247,500	16	130,000	84,461
1934	379,337	0.77	255,750	16	130,000	78,047
1935	396,950	0.77	282,875*	16	130,000	62,132
1936	399,733	0.73	251,625	16	118,000	65,240
1937	395,664	0.67	247,500	16	118,000	68,394
1938	381,155	0.66	239,250	16	140,000	70,209
1939	353,098	0.62	215,500	16	130,000	67,897
1940	332,700	0.50	187,500	16	140,000	68,097
1941	298,241	0.38	156,250	16	145,000	65,688

* Includes 2 per cent. Bonus on "A" shares.

Year Ended Oct. 31	No. of Offices open at dates stated	LIABILITIES							Total Liabilities or Assets	ASSETS												
		Capital and Re- serves	Per Cent.	Notes	Per Cent.	Acceptances and Endorsements	Per Cent.	Undivided Profits		Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Ad- vances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1931	350	5,100,000	12.3	3,309,634	8.0	135,354	0.3	704,809	1.7	32,112,042	77.6	41,361,839	5,858,670	14.2	2,165,130	5.2	213,263,490	32.1	19,119,142	4.6	985,407	2.3
1932	355	5,100,000	11.0	3,270,210	7.1	162,303	0.4	199,081	0.4	37,502,627	81.1	46,234,221	5,765,980	12.5	2,877,000	6.2	218,648,575	40.3	19,948,728	3.8	953,918	2.3
1933	362	5,100,000	10.9	3,244,121	7.0	220,700	0.5	208,211	0.4	37,724,778	81.2	46,497,810	6,245,589	13.4	2,695,000	5.8	220,744,747	44.5	17,785,713	3.4	1,046,700	2.3
1934	367	5,100,000	10.4	3,223,037	6.1	1,731,244	3.5	205,922	0.4	38,932,033	79.1	49,192,236	6,438,263	13.1	2,786,000	5.7	221,963,231	44.6	15,403,498	3.1	3,260,124	1.5
1935	374	5,250,000	10.1	3,351,095	6.2	2,088,553	4.2	217,122	0.4	40,783,615	78.7	51,810,387	6,661,904	12.9	3,241,000	5.6	224,409,091	42.7	14,379,837	2.7	5,118,955	0.6
1936	377	5,300,000	9.7	3,628,810	6.7	3,298,843	6.1	191,042	0.3	42,017,265	77.2	54,435,960	7,098,345	13.1	3,419,000	5.5	225,544,770	40.6	14,245,002	2.6	14,218,844	7.4
1937	380	5,350,000	9.1	3,768,419	6.4	3,380,406	5.8	192,042	0.3	44,055,659	78.4	58,746,628	7,773,534	14.9	2,944,500	4.7	226,885,786	43.5	15,812,402	2.6	9,430,406	7.7
1938	385	5,400,000	9.3	3,727,709	6.4	4,069,835	7.0	189,924	0.3	44,739,106	78.7	57,336,879	8,768,818	15.2	3,375,000	4.6	228,846,372	43.9	14,409,519	2.4	8,044,835	8.7
1939	385	5,400,000	9.4	3,977,221	6.2	4,294,474	7.9	157,941	0.2	45,111,542	78.7	57,336,879	8,768,818	15.2	3,375,000	4.6	228,846,372	43.9	14,409,519	2.4	8,044,835	8.7
1940	342	5,400,000	8.2	4,579,535	7.0	2,181,588	3.3	157,941	0.2	63,997,348	82.3	77,700,054	10,104,813	15.4	4,545,500	5.0	229,167,115	43.4	16,350,235	2.4	9,581,688	5.0
1941	326	5,400,000	7.0	4,057,163	7.7	2,102,330	2.7	143,213	0.2	63,997,348	82.3	77,700,054	12,237,167	15.7	4,153,000	4.8	230,948,604	48.9	10,108,957	2.3	9,352,330	4.8

• Miscellaneous credits.

† From 1934 includes Treasury

* Miscellaneous credits.

† From 1940 includes Treasury deposit receipts.

THE NATIONAL BANK OF SCOTLAND, LIMITED

Consolidated Stock—	Authorised and Subscribed in £500 Stock, £110 paid up of which—	Uncalled Reserve Liability	Leaving paid-up
	£500,000	£900,000	£3,900,000
			£1,100,000
"A" Shares—	Authorised 1,000,000 in Shares of £1 each, of which 400,000 issued and converted into Stock, fully paid		£400,000
			£1,500,000

Year Ended Nov. 1	Net Profits	Per Cent. of Resources	PROFITS AND DIVIDENDS		Reserve, etc.	Carried Forward
			Amount	Rate		
1931	270,433	0.78	132,000	16	140,000	72,727
1932	265,367	0.66	132,000	16	130,000	76,094
1933	267,341	0.64	132,000	16	130,000	81,755
1934	271,597	0.63	136,400	16	135,000	81,952
1935	270,473	0.63	136,400	16	135,000	84,065
1936	272,441	0.61	134,200	16	140,000	88,077
1937	276,012	0.61	132,000	16	150,000	88,616
1938	292,639	0.61	142,100	16	160,000	86,363
1939	282,697	0.60	124,950	16	165,000	88,098
1940	279,434	0.53	112,700	16	160,000	92,287
1941	262,190	0.42	98,000	16	160,000	92,287

Year Ended Nov. 1	No. of Offices open at dates stated	LIABILITIES							Total Liabilities or Assets	ASSETS						
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Acceptances	Per Cent.	Undivided Profits		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Buildings and Sundries, including Cover for Acceptances
1931	181	2,650,000	7.5	2,299,133	6.4	1,532,653	4.3	29,077,192	81.3	35,763,705	3.9	51,714,111	12.7	7,628,000	7.6	11,683,463
1932	181	2,650,000	6.7	2,251,113	5.6	1,376,916	3.4	35,867,668	83.9	40,353,791	4.3	53,685,101	12.7	7,628,000	8.9	13,583,236
1933	185	2,650,000	6.4	2,288,066	5.5	2,069,546	5.0	34,423,315	82.8	41,644,682	4.3	59,992,107	13.8	8,849,800	9.2	16,144,073
1934	188	2,650,000	6.2	2,354,158	5.1	1,888,338	4.4	35,723,950	83.4	42,834,798	5.0	60,406,101	13.7	11,114,400	11.9	17,248,095
1935	190	2,650,000	6.2	2,595,576	6.1	2,055,668	4.8	35,213,428	82.5	42,731,897	4.8	60,406,101	13.7	11,114,400	11.9	17,248,095
1936	190	2,700,000	6.1	2,720,481	6.1	2,203,130	4.9	36,532,163	82.5	44,374,039	4.7	60,406,101	13.7	11,114,400	11.9	17,248,095
1937	191	2,900,000	6.4	2,881,209	6.3	2,608,672	5.7	37,002,384	81.3	46,512,342	4.7	60,406,101	13.7	11,114,400	11.9	17,248,095
1938	191	3,400,000	7.1	2,947,412	6.1	3,056,443	6.4	230,716	0.6	47,916,996	8.4	60,406,101	13.7	11,114,400	11.9	17,248,095
1939	183	3,450,000	7.3	3,291,546	7.0	3,350,019	5.4	211,313	0.6	47,916,996	8.4	60,406,101	13.7	11,114,400	11.9	17,248,095
1940	181	3,500,000	6.6	4,190,679	8.0	2,851,172	5.4	200,797	0.6	47,916,996	8.4	60,406,101	13.7	11,114,400	11.9	17,248,095
1941	170	3,500,000	5.6	5,280,863	8.4	2,945,319	4.7	190,287	0.6	47,916,996	8.4	60,406,101	13.7	11,114,400	11.9	17,248,095

† From 1940 includes Treasury deposit receipts.

NORTH OF SCOTLAND BANK LIMITED

	CAPITAL			
	Subscribed	Paid-up	Callable	Reserved
	£3,260,000	1,141,000	163,000	1,956,000
Per Share	£20	£7	£1	£12

Year Ended Dec. 31	Net Profits	Per Cent. of Resources	PROFITS AND DIVIDENDS		Reserve, etc.	Carried Forward
			Amount	Rate		
1931	254,414	1.05	193,970	17	95,000	67,192
1932	250,762	0.94	182,560	16	65,000	70,393
1933	253,855	0.88	182,560	16	70,000	71,688
1934	255,416	0.87	182,560	16	70,000	81,512
1935	261,786	0.77	182,560	16	70,000	90,738
1936	246,148	0.74	182,560	16	70,000	99,326
1937	242,077	0.72	182,560	16	70,000	103,843
1938	236,543	0.71	182,560	16	70,000	102,827
1939	215,345	0.74	182,560	16	70,000	100,612
1940	215,345	0.74	182,560	16	70,000	99,686
1941	215,134	0.51	182,560	16	70,000	99,686

Continued on page 32

Royal Bank of Scotland

Incorporated by Royal Charter, 1727.

Head Office: St. Andrew Square, EDINBURGH

Branches throughout Scotland.

ASSOCIATED BANKS—WILLIAMS DEACON'S BANK, LD. (Members of the London Bankers' Clearing House)
GLYN MILLS & CO. (Members of the London Bankers' Clearing House)

THE NATIONAL BANK OF SCOTLAND LIMITED

Head Office:
EDINBURGHBranches throughout
SCOTLAND

ESTABD 1829

LONDON OFFICES: 37 Nicholas Lane, E.C.4, and 18/20 Regent St., Piccadilly Circus, S.W.1
Every description of banking service undertaken, including Foreign Exchange, Trustee and Executry business.

THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter 1835)

Head Office: 4 THREADNEEDLE STREET, LONDON, E.C.2

West End Branch: 17 NORTHUMBERLAND AVENUE, W.C.2

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

DIRECTORS:
D. F. ANDERSON, Esq. EDMUND GODWARD, Esq. DAVID J. ROBERTS, Esq.
HON. GEOFFREY C. GIBBS. CHARLES GIPPS HAMILTON, Esq. SIR JOHN SANDERSON, K.B.E.
J. F. G. GILLIAT, Esq. FREDERICK V. C. LIVINGSTONE. ARTHUR WHITWORTH, Esq.
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MATTER?by OSCAR HOBSON
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A. BUTTERWORTH, Manager.

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NORTH OF SCOTLAND BANK LIMITED—Continued from page 30

Year Ended Dec. 31	No. of Offices open at dates stated	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.
1931...	158	2,306,000	9.5	158,472	0.6	2,159,647	8.9	19,704,992	81.0	24,329,111	4.353,390	17.9	9,856,311	40.6
1932...	159	2,306,000	8.7	161,673	0.6	2,085,462	7.8	22,036,622	82.9	26,589,757	5,547,763	20.8	10,776,707	40.6
1933...	159	2,306,000	8.0	162,968	0.6	2,093,769	7.3	24,130,254	84.1	28,692,991	3,440,044	12.0	15,383,867	53.6
1934...	161	2,306,000	7.9	165,824	0.6	2,148,078	7.3	24,635,948	84.2	29,255,850	4,011,286	13.7	17,180,906	58.7
1935...	160	2,356,000	7.0	172,792	0.5	2,182,225	6.4	29,159,287	86.1	33,870,304	3,895,625	11.5	18,842,618	55.6
1936...	161	2,405,000	6.8	182,018	0.5	2,310,633	6.5	30,554,156	86.2	35,452,807	5,009,710	14.2	20,171,128	56.8
1937...	161	2,441,000	7.1	190,606	0.5	2,302,208	6.7	29,432,825	85.7	34,366,639	4,448,602	12.9	20,165,513	58.7
1938...	161	2,476,000	7.2	195,123	0.6	2,306,004	6.8	29,123,507	85.4	34,100,634	4,904,448	14.4	20,542,017	60.2
1939...	161	2,476,000	6.9	194,107	0.6	2,307,960	8.2	26,639,847	83.5	31,917,914	5,273,544	16.5	14,723,158	46.1
1940...	158	2,491,000	7.7	191,892	0.5	2,373,605	8.0	30,444,088	84.6	36,000,585	10,033,127	27.8	16,756,736	46.6
1941...	158	2,506,000	6.0	190,966	0.4	3,617,983	8.6	35,697,727	85.0	42,012,678	13,421,693	32.0	19,712,107	46.9

* From 1940 includes Treasury deposit receipts.

ROYAL BANK OF SCOTLAND

Year Ended October	No. of Offices open at dates stated	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.
1931...	147	7,561,118	12.3	32,780,755	4.5	933,148	1.5	404,026	0.7	49,416,138	80.6	61,334,172	5,124,665	8.4
1932...	148	7,561,118	11.1	32,780,720	4.1	1,075,271	1.6	774,479	1.1	55,898,683	81.7	68,331,258	5,479,351	8.0
1933...	148	7,561,118	10.2	32,888,502	3.9	1,098,549	2.2	864,576	1.2	59,257,331	81.9	72,381,063	5,987,636	8.3
1934...	148	7,561,118	10.2	32,792,803	3.7	1,095,054	2.1	1,076,775	1.4	58,944,630	79.0	74,519,400	6,206,784	8.3
1935...	148	7,561,118	9.4	32,812,842	3.5	1,131,839	4.7	588,354	0.7	64,009,174	81.0	79,028,165	6,833,139	8.6
1936...	148	7,561,118	8.8	32,812,842	3.5	1,131,839	4.7	588,354	0.7	64,009,174	81.0	79,028,165	6,833,139	8.6
1937...	148	7,561,118	8.8	32,812,842	3.5	1,131,839	4.7	588,354	0.7	64,009,174	81.0	79,028,165	6,833,139	8.6
1938...	148	7,561,118	8.8	32,812,842	3.5	1,131,839	4.7	588,354	0.7	64,009,174	81.0	79,028,165	6,833,139	8.6
1939...	148	7,561,118	8.8	32,812,842	3.5	1,131,839	4.7	588,354	0.7	64,009,174	81.0	79,028,165	6,833,139	8.6
1940...	148	7,561,118	8.8	32,812,842	3.5	1,131,839	4.7	588,354	0.7	64,009,174	81.0	79,028,165	6,833,139	8.6
1941...	148	7,561,118	8.8	32,812,842	3.5	1,131,839	4.7	588,354	0.7	64,009,174	81.0	79,028,165	6,833,139	8.6

* From 1940 includes Treasury deposit receipts.

UNION BANK OF SCOTLAND, LIMITED

Year Ended April 1	No. of Offices open at dates stated	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.
1932...	212	3,000,000	8.7	2,345,039	6.8	528,057	1.5	8,101	...	28,305,208	82.0	34,533,037	2,562,629	7.6
1933...	216	3,000,000	8.6	2,339,577	6.7	485,763	1.4	...	...	28,546,761	82.3	34,724,715	2,468,704	7.3
1934...	216	3,000,000	8.6	2,398,019	6.9	389,973	1.1	...	...	28,558,337	82.3	34,699,046	2,615,269	7.6
1935...	216	3,000,000	8.2	2,494,221	6.9	447,292	1.2	...	...	29,944,043	82.5	36,240,740	2,817,071	7.8
1936...	217	3,000,000	7.5	2,536,788	6.4	1,899,028	4.8	...	...	31,956,543	80.5	39,753,164	2,762,298	7.0
1937...	216	3,000,000	7.2	2,640,729	6.5	1,937,747	3.9	...	...	32,837,084	81.4	40,439,541	3,051,401	7.5
1938...	216	3,000,000	7.4	2,662,335	6.6	1,925,347	2.5	...	...	33,436,818	82.7	40,494,005	2,769,693	7.0
1939...	220	3,000,000	7.4	2,648,525	6.6	1,118,681	2.8	...	...	33,218,868	82.3	40,359,886	2,751,060	6.8
1940...	212	3,000,000	7.4	2,935,094	6.8	1,025,011	2.4	...	...	36,002,367	82.4	43,336,646	3,446,788	8.0
1941...	212	3,000,000	6.9	3,172,479	7.1	1,175,172	2.6	...	...	36,638,976	82.5	44,420,282	3,657,548	8.2
1942...	203	3,100,000	6.0	2,445,194	6.2	2,959,625	5.7	...	...	41,045,112	79.3	51,736,986	4,349,155	8.4

* From 1940 includes Treasury deposit receipts.

THE Commercial Banking Company of Sydney, LIMITED

(with which is amalgamated the BANK OF VICTORIA LTD.)

ESTABLISHED 1834

INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY

Authorised Capital	£12,000,000	0 0
Capital Paid up	£4,739,012	10 0
Reserve Fund	£4,300,000	0 0
Reserve Capital	£4,739,012	10 0
	£13,778,025	0 0

Total Assets	£70,665,805	8 9
30th June, 1942		

Head Office: Sydney—343 George Street
General Manager: C. Darvall400 Offices and Branches in New South Wales,
Queensland, Victoria, South Australia and Aus-
tralian Capital Territory. Agencies throughout
Australia and New Zealand, and all other parts
of the world.Drafts payable on demand and Letters of Credit
are issued by the London Office on the Head
Office, Branches and Agencies of the Bank.
Bills on Australasia negotiated and collected.
Remittances cabled and mailed.

LONDON OFFICE:

18 BIRCHIN LANE, LOMBARD ST., E.C.3
G. M. AINSWORTH, Manager; E. A. BARRETT, Accountant.OVER 850
BRANCHESBritish manufacturers and traders
are offered expert and unbiased
advice and information which can
materially assist the development of
trade with Australia, New Zealand
and the Pacific Islands.

BANK OF NEW SOUTH WALES

Incorporated in New South Wales with Limited Liability.

London Offices:

29, Threadneedle Street, E.C.2
47, Berkeley Square, W.1

The English, Scottish & Australian Bank, Limited

Head Office:

5 GRACECHURCH ST., LONDON, E.C.3

Subscribed Capital	£5,000,000
Paid-up Capital	£3,000,000
Further Liability of Proprietors	£2,000,000
Reserve Fund	£1,755,000
Special Currency Reserve	£1,585,000

Board of Directors:

S. M. WARD, Esq., Chairman.
THE RT. HON. LORD ALDENHAM.
SIR CLIVE BAILLIEU, K.B.E., C.M.G.
THE RT. HON. LORD HUNTINGFIELD, K.C.M.G.
E. M. JANION, Esq.
SIR GEORGE SCHUSTER, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P.
SIR FREDERICK W. YOUNG

London Manager & Secretary—J. A. CLEZY.

Sub-Manager—R. J. ALLEN. Accountant—C. N. HARRISON.
Bankers: Bank of England: Westminster Bank Limited.

Chief Office in Australia:

COLLINS STREET, MELBOURNE

and many Branches and Agencies throughout Australia.

With its widespread connections, this Bank
offers every facility for the conduct of
all classes of Banking and Exchange
business with Australia.

The UNION BANK OF AUSTRALIA LIMITED

More than
a hundred years'
Banking experience
linking
The United Kingdom
and world centres
with Australasia

Head Office:

71 CORNHILL, LONDON, E.C.3

(West End Agency: 15 Carlos Place, W.1)

Agents throughout the World.

Established

1837



JOINT STOCK BANKS OF IRELAND

BELFAST BANKING COMPANY, LIMITED

Year Ended Dec. 31	Number of Branches	CAPITAL				Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate Per Cent.	Reserves, etc.	Carried Forward
		Subscribed	Paid-up	Callable	Reserved							
1931	50	£1,500,000	£800,000	£200,000	£1,500,000	1931	111,591	0.64	95,000	11	100,000	43,556
1932	51	2,500,000	800,000	200,000	1,500,000	1932	97,530	0.56	65,000	11	100,000	71,886
1933	51	2,500,000	800,000	200,000	1,500,000	1933	96,192	0.58	65,000	11	100,000	105,078
1934	51	2,500,000	800,000	200,000	1,500,000	1934	102,173	0.59	68,200	11	100,000	39,051
1935	51	2,500,000	800,000	200,000	1,500,000	1935	105,182	0.61	68,200	11	100,000	76,035
1936	51	2,500,000	800,000	200,000	1,500,000	1936	106,056	0.63	67,100	11	100,000	114,989
1937	51	2,500,000	800,000	200,000	1,500,000	1937	106,718	0.64	66,000	11	100,000	95,707
1938	51	2,500,000	800,000	200,000	1,500,000	1938	105,929	0.63	65,800	11	100,000	95,836
1939	51	2,500,000	800,000	200,000	1,500,000	1939	101,017	0.57	60,500	11	100,000	56,355
1940	51	2,500,000	800,000	200,000	1,500,000	1940	91,028	0.48	52,800	11	100,000	73,581
1941	51	2,500,000	800,000	200,000	1,500,000	1941	85,388	0.36	44,000	11	100,000	115,969

Year Ended Dec. 31	Number of Branches	CAPITAL				Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate Per Cent.	Reserves, etc.	Carried Forward
		Subscribed	Paid-up	Callable	Reserved							
1931	50	£1,500,000	£800,000	£200,000	£1,500,000	1931	111,591	0.64	95,000	11	100,000	43,556
1932	51	2,500,000	800,000	200,000	1,500,000	1932	97,530	0.56	65,000	11	100,000	71,886
1933	51	2,500,000	800,000	200,000	1,500,000	1933	96,192	0.58	65,000	11	100,000	105,078
1934	51	2,500,000	800,000	200,000	1,500,000	1934	102,173	0.59	68,200	11	100,000	39,051
1935	51	2,500,000	800,000	200,000	1,500,000	1935	105,182	0.61	68,200	11	100,000	76,035
1936	51	2,500,000	800,000	200,000	1,500,000	1936	106,056	0.63	67,100	11	100,000	114,989
1937	51	2,500,000	800,000	200,000	1,500,000	1937	106,718	0.64	66,000	11	100,000	95,707
1938	51	2,500,000	800,000	200,000	1,500,000	1938	105,929	0.63	65,800	11	100,000	95,836
1939	51	2,500,000	800,000	200,000	1,500,000	1939	101,017	0.57	60,500	11	100,000	56,355
1940	51	2,500,000	800,000	200,000	1,500,000	1940	91,028	0.48	52,800	11	100,000	73,581
1941	51	2,500,000	800,000	200,000	1,500,000	1941	85,388	0.36	44,000	11	100,000	115,969

* Midland Bank Limited (Government of Northern Ireland Guaranteed Loans Account)

NORTHERN BANK, LIMITED

Year Ended Dec. 31	Number of Branches	CAPITAL				Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate Per Cent.	Reserves, etc.	Carried Forward
		Subscribed	Paid-up	Callable	Reserved							
1931	50	£1,500,000	£800,000	£200,000	£1,500,000	1931	111,591	0.64	95,000	11	100,000	43,556
1932	51	2,500,000	800,000	200,000	1,500,000	1932	97,530	0.56	65,000	11	100,000	71,886
1933	51	2,500,000	800,000	200,000	1,500,000	1933	96,192	0.58	65,000	11	100,000	105,078
1934	51	2,500,000	800,000	200,000	1,500,000	1934	102,173	0.59	68,200	11	100,000	39,051
1935	51	2,500,000	800,000	200,000	1,500,000	1935	105,182	0.61	68,200	11	100,000	76,035
1936	51	2,500,000	800,000	200,000	1,500,000	1936	106,056	0.63	67,100	11	100,000	114,989
1937	51	2,500,000	800,000	200,000	1,500,000	1937	106,718	0.64	66,000	11	100,000	95,707
1938	51	2,500,000	800,000	200,000	1,500,000	1938	105,929	0.63	65,800	11	100,000	95,836
1939	51	2,500,000	800,000	200,000	1,500,000	1939	101,017	0.57	60,500	11	100,000	56,355
1940	51	2,500,000	800,000	200,000	1,500,000	1940	91,028	0.48	52,800	11	100,000	73,581
1941	51	2,500,000	800,000	200,000	1,500,000	1941	85,388	0.36	44,000	11	100,000	115,969

Authorised note issue, £244,000.

Year Ended Dec. 31	Number of Branches	CAPITAL				Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate Per Cent.	Reserves, etc.	Carried Forward
		Subscribed	Paid-up	Callable	Reserved							
1931	50	£1,500,000	£800,000	£200,000	£1,500,000	1931	111,591	0.64	95,000	11	100,000	43,556
1932	51	2,500,000	800,000	200,000	1,500,000	1932	97,530	0.56	65,000	11	100,000	71,886
1933	51	2,500,000	800,000	200,000	1,500,000	1933	96,192	0.58	65,000	11	100,000	105,078
1934	51	2,500,000	800,000	200,000	1,500,000	1934	102,173	0.59	68,200	11	100,000	39,051
1935	51	2,500,000	800,000	200,000	1,500,000	1935	105,182	0.61	68,200	11	100,000	76,035
1936	51	2,500,000	800,000	200,000	1,500,000	1936	106,056	0.63	67,100	11	100,000	114,989
1937	51	2,500,000	800,000	200,000	1,500,000	1937	106,718	0.64	66,000	11	100,000	95,707
1938	51	2,500,000	800,000	200,000	1,500,000	1938	105,929	0.63	65,800	11	100,000	95,836
1939	51	2,500,000	800,000	200,000	1,500,000	1939	101,017	0.57	60,500	11	100,000	56,355
1940	51	2,500,000	800,000	200,000	1,500,000	1940	91,028	0.48	52,800	11	100,000	73,581
1941	51	2,500,000	800,000	200,000	1,500,000	1941	85,388	0.36	44,000	11	100,000	115,969

* Excluding agencies.

ULSTER BANK, LIMITED

Year Ended Dec. 31	Number of Branches	CAPITAL				Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate Per Cent.	Reserves, etc.	Carried Forward
		Subscribed	Paid-up	Callable	Reserved							
1931	50	£1,500,000	£800,000	£200,000	£1,500,000	1931	111,591	0.64	95,000	11	100,000	43,556
1932	51	2,500,000	800,000	200,000	1,500,000	1932	97,530	0.56	65,000	11	100,000	71,886
1933	51	2,500,000	800,000	200,000	1,500,000	1933	96,192	0.58	65,000	11	100,000	105,078
1934	51	2,500,000	800,000	200,000	1,500,000	1934	102,173	0.59	68,200	11	100,000	39,051
1935	51	2,500,000	800,000	200,000	1,500,000	1935	105,182	0.61	68,200	11	100,000	76,035
1936	51	2,500,000	800,000	200,000	1,500,000	1936	106,056	0.63	67,100	11	100,000	114,989
1937	51	2,500,000	800,000	200,000	1,500,000	1937	106,718	0.64	66,000	11	100,000	95,707
1938	51	2,500,000	800,000	200,000	1,500,000	1938	105,929	0.63	65,800	11	100,000	95,836
1939	51	2,500,000	800,000	200,000	1,500,000	1939	101,017	0.57	60,500	11	100,000	56,355
1940	51	2,500,000	800,000	200,000	1,500,000	1940	91,028	0.48	52,800	11	100,000	73,581
1941	51	2,500,000	800,000	200,000	1,500,000	1941	85,388	0.36	44,000	11	100,000	115,969

* Free of income tax.

† Thirteen months ended Dec. 31.

Year Ended Dec. 31		Number of Branches*	LIABILITIES										Total Liabilities or Assets	ASSETS						
			Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Bills for Collection	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Invest- ments	Per Cent.	Discounts, Advances and Short Loans	Per Cent.	Premises
1931...	116	1,850,000	7-5	70,436	0-3	1,300,219	5-3	46,536	0-2	21,467,434	86-7	24,743,625	2,716,570	11-0	11,315,634	45-8	10,445,891	42-2	256,530	1-1
1932...	116	1,900,000	7-6	81,520	0-3	1,308,784	4-8	56,847	0-2	23,465,141	87-6	26,811,316	3,726,942	11-8	12,229,563	45-7	10,568,806	42-3	286,005	1-1
1933...	116	1,900,000	7-6	74,014	0-3	1,435,053	5-2	44,457	0-2	21,564,253	87-7	25,193,006	2,274,158	8-9	13,720,663	53-8	9,494,512	36-8	303,233	1-1
1934...	116	2,000,000	8-0	71,355	0-3	1,431,917	5-7	50,224	0-2	21,694,129	85-5	26,339,750	2,603,163	10-7	13,292,071	50-2	9,344,512	37-8	317,507	1-1
1935...	115	2,000,000	7-9	76,869	0-3	1,515,191	6-0	53,581	0-3	21,769,446	85-4	25,498,258	2,427,375	10-3	13,340,409	52-4	9,227,029	36-5	317,507	1-1
1936...	115	2,000,000	7-8	84,470	0-3	1,577,358	6-2	66,984	0-2	21,641,750	85-2	25,494,995	2,476,712	9-7	12,919,908	50-8	9,247,967	36-5	282,507	1-1
1937...	115	2,000,000	7-9	78,343	0-3	1,625,743	6-4	44,302	0-2	20,710,753	84-5	24,397,995	2,367,920	9-7	12,370,199	50-5	9,463,520	38-5	287,567	1-1
1938...	115	2,000,000	8-2	68,298	0-3	1,675,937	6-8	42,947	0-2	21,163,767	84-1	25,179,292	3,739,264	14-8	11,867,874	47-1	9,277,461	36-9	284,591	1-1
1939...	111	2,000,000	7-3	87,596	0-3	1,890,343	7-8	57,584	0-2	22,592,544	82-9	26,881,526	3,866,686	14-8	12,971,034	47-6	8,601,253	31-3	294,094	1-1
1940...	111	2,000,000	7-3	106,712	0-4	2,542,927	9-3	31,844	0-2	27,295,560	83-2	32,635,832	8,666,686	27-0	16,018,234	48-7	7,655,218	23-3	295,094	1-1
1941...	111	2,000,000	6-1	106,706	0-3	3,390,269	10-2	43,097	0-2											

* Excluding agencies.

BANK OF IRELAND†

Year ended Dec. 31	Number of Branches	CAPITAL					PROFITS AND DIVIDENDS					Reserves, Etc.	Carried Forward
		Subscribed	Paid-up	Callible	Reserved	Market Value	Net Profits	Per Cent. of Resources	Dividends	Rate	Reserves, Etc.		
1931	100	2,769,231	2,769,231	...	...	9,065,760	512,172	1.28	402,837	17%	100,000	90,815	31,144
1932	100	2,769,231	2,769,231	...	...	9,065,760	436,762	0.85	308,685	14%	130,000	88,896	31,338
1933	104	2,769,231	2,769,231	...	...	9,065,760	404,254	0.90	301,154	14%	100,000	91,996	35,355
1934	104	2,769,231	2,769,231	...	...	9,065,760	386,594	0.92	308,685	14%	100,000	89,911	35,757
1935	104	2,769,231	2,769,231	...	...	9,065,760	378,927	0.87	289,731	13%	100,000	86,775	39,127
1936	104	2,769,231	2,769,231	...	...	9,065,760	390,749	0.88	289,731	13%	75,000	100,971	40,609
1937	104	2,769,231	2,769,231	...	...	9,065,760	379,821	0.88	289,731	13%	75,000	126,988	42,502
1938	104	2,769,231	2,769,231	...	...	9,065,760	332,555	0.73	255,288	12%	75,000	144,345	41,768
1939	104	2,769,231	2,769,231	...	...	9,065,760	338,666	0.65	237,981	12%	100,000	145,030	42,890
1940	104	2,769,231	2,769,231	...	...	9,065,760	323,680	0.54	220,673	12%	100,000	148,037	42,465
1941	98	2,769,231	2,769,231	...	...	9,065,760	...	...	...	...	...	...	...

Year ended Dec. 31	Number of Branches	LIABILITIES					ASSETS					Total Liabilities or Assets	Per Cent.
		Capital and Reserves	Per Cent.	Balance of Profit and Loss	Notes	Deposit and Current Accounts	Cash in Hand and at Bank	Cash at Call and Short Notice	Investments	Discounts and Advances	Premises		
1931	100	5,949,231	14.9	293,576	0.7	1,904,397	4.8	31,701,218	79.6	39,848,422	1,939,172	4.9	3,120,020
1932	100	5,949,231	11.6	259,203	0.5	1,868,413	3.7	31,701,218	84.3	51,444,848	2,039,561	4.0	4,473,638
1933	104	5,949,231	11.2	258,150	0.6	1,857,639	4.1	31,701,218	82.1	45,106,975	2,064,495	4.6	3,114,287
1934	104	5,949,231	11.3	260,219	0.6	1,870,433	4.2	31,701,218	81.8	44,479,009	2,118,994	4.7	3,136,027
1935	104	5,949,231	11.3	247,736	0.6	1,949,608	4.4	31,701,218	81.7	44,605,792	2,586,918	5.8	2,837,133
1936	104	5,949,231	11.2	261,932	0.6	1,965,762	4.3	31,701,218	81.9	44,360,768	3,004,147	5.6	2,879,540
1937	104	5,949,231	11.3	287,950	0.6	2,039,782	4.6	31,701,218	81.4	44,295,444	3,125,119	6.8	2,559,633
1938	104	5,949,231	11.3	303,040	0.7	2,096,760	4.9	31,701,218	80.6	43,106,916	3,125,119	8.0	2,107,530
1939	104	5,949,231	11.3	287,307	0.6	2,432,538	5.3	31,701,218	81.1	45,821,451	3,280,573	7.2	3,529,228
1940	100	5,949,231	11.4	278,300	0.5	3,356,925	6.4	31,701,218	81.1	52,239,897	2,874,568	5.5	7,486,040
1941	98	5,949,231	9.9	271,614	0.4	4,579,155	7.6	31,701,218	82.1	60,381,763	2,463,214	4.1	9,599,648

* Includes acceptances.

† No London office.

THE HIBERNIAN BANK, LIMITED

Year ended June 30	Number of Branches	CAPITAL				PROFITS AND DIVIDENDS					Reserves, Etc.	Carried Forward
		Subscribed	Paid-up	Callible	Reserved	Net Profits	Per Cent. of Resources	Dividends	Rate	Reserves, Etc.		
1932	88	2,000,000	500,000	500,000	1,000,000	82,977	0.62	63,750	11%	30,000	30,473	30,473
1933	88	2,000,000	500,000	500,000	1,000,000	88,187	0.66	57,500	11%	30,000	31,160	31,160
1934	88	2,000,000	500,000	500,000	1,000,000	86,650	0.68	57,500	11%	30,000	30,310	30,310
1935	88	2,000,000	500,000	500,000	1,000,000	82,878	0.66	57,500	11%	30,000	25,689	25,689
1936	88	2,000,000	500,000	500,000	1,000,000	82,728	0.66	57,500	11%	25,000	25,917	25,917
1937	88	2,000,000	500,000	500,000	1,000,000	81,465	0.65	60,000	12%	17,500	29,882	29,882
1938	88	2,000,000	500,000	500,000	1,000,000	80,072	0.67	60,000	12%	22,500	27,454	27,454
1939	88	2,000,000	500,000	500,000	1,000,000	75,675	0.60	57,500	11%	15,000	28,629	28,629
1940	88	2,000,000	500,000	500,000	1,000,000	65,377	0.65	55,000	11%	17,500	27,231	27,231
1941	88	2,000,000	500,000	500,000	1,000,000	65,378	0.65	55,000	11%	10,000	27,607	27,607
1941†	88	2,000,000	500,000	500,000	1,000,000	62,443	0.46	55,000	11%	7,500	27,551	27,551

* Free of income tax.

† December 31.

Year ended June 30	Number of Branches	LIABILITIES					ASSETS					Total Liabilities or Assets	Per Cent.
		Capital and Reserves	Per Cent.	Un-divided Profits	Notes in Circulation	Rebate	Cash in Hand and at Bankers	Investments	Discounts, Loans and Advances	Buildings and Sundries	Premises		
1932	88	1,320,000	9.1	62,973	0.5	480,880	3.6	7,473	11,550,057	86.8	13,321,383	366,239	2.7
1933	88	1,140,000	8.5	63,660	0.5	506,471	3.8	6,621	11,829,864	87.2	13,546,315	1,197,157	9.0
1934	88	1,160,000	9.1	62,811	0.5	507,469	4.0	8,858	11,073,651	86.1	12,809,789	987,177	7.6
1935	88	1,180,000	9.4	58,189	0.5	509,412	4.0	5,212	10,873,322	86.0	12,626,135	1,219,456	9.6
1936	88	1,200,000	9.6	53,417	0.4	506,602	4.0	5,119	10,747,835	86.0	12,512,973	989,284	7.9
1937	88	1,210,000	9.6	59,882	0.5	498,925	4.0	5,101	10,800,344	85.9	12,574,252	989,284	7.9
1938	88	1,230,000	10.1	57,455	0.5	501,868	4.2	4,792	10,147,430	85.0	11,941,545	1,054,510	9.0
1939	88	1,240,000	9.8	66,129	0.5	504,318	4.1	4,716	10,486,897	85.3	12,292,060	1,085,135	9.0
1940	88	1,240,000	9.9	62,232	0.5	498,937	4.0	4,415	10,690,309	85.6	12,495,893	1,166,060	9.8
1941	88	1,240,000	9.1	57,551	0.4	503,549	4.0	3,646	10,816,788	85.9	12,624,091	1,179,084	14.2
1941†	88	1,240,000	9.1	57,551	0.4	519,104	3.7	4,184	11,877,848	86.8	13,694,503	1,934,891	14.0

† December 31.

MUNSTER AND LEINSTER BANK, LIMITED

Year ended June 30	Number of Branches	CAPITAL				PROFITS AND DIVIDENDS					Reserves, Etc.	Carried Forward
		Subscribed	Paid-up	Callible	Reserved	Net Profits	Per Cent. of Resources	Dividends	Rate	Reserves, Etc.		
1932	199	1,875,000	750,000	1,125,000	...	172,224	0.61	97,500	13%	75,000	45,527	45,527
1933	205	1,875,000	750,000	1,125,000	...	155,525	0.54	90,000	12%	67,500	43,652	43,652
1934	205	1,875,000	750,000	1,125,000	...	136,552	0.50	90,000	12%	47,500	42,703	42,703
1935	205	1,875,000	750,000	1,125,000	...	138,291	0.52	90,000	12%	47,500	43,494	43,494
1936	205	1,875,000	750,000	1,125,000	...	137,898	0.51	90,000	12%	47,500	43,287	43,287
1937	205	1,875,000	750,000	1,125,000	...	137,898	0.51	90,000	12%	47,500	43,287	43,287
1938	205	1,875,000	750,000	1,125,000	...	139,063	0.51	90,000	12%	47,500	43,658	43,658
1939	205	1,875,000	750,000	1,125,000	...	133,991	0.50	90,000	12%	47,500	45,218	45,218
1940	205	1,875,000	750,000	1,125,000	...	131,920	0.48	86,250	11%	47,500	41,710	41,710
1941	205	1,875,000	750,000	1,125,000	...	118,175	0.42	75,000	10%	45,000	41,894	41,894
1941†	205	1,875,000	750,000	1,125,000	...	106,788	0.35	67,500	9	42,500	40,079	40,079

* Free of income tax.

† December 31.

Year Ended June 30	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS										
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Deposit and Current Accounts, Rebate, etc.	Per Cent.		Cash in Hand and with Bankers	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills Receiv- able	Per Cent.	Advances	Per Cent.	Premises
1932	199	1,750,000	6.2	90,627	0.3	128,485,563	93.5	28,328,190	1,080,540	3.8	1,600,000	5.6	12,139,194	42.8	1,851,042	6.5	11,285,472	39.8	369,942
1933	205	1,750,000	6.1	88,652	0.3	128,841,878	93.8	28,680,230	1,110,596	3.9	2,000,000	7.0	13,237,042	46.1	1,188,134	4.1	10,774,852	37.5	369,596
1934	205	1,750,000	6.1	89,703	0.3	128,367,075	93.2	27,204,378	1,137,418	4.2	2,000,000	4.8	12,387,818	45.5	1,197,782	4.2	10,867,451	40.0	384,609
1935	205	1,750,000	6.5	88,494	0.3	124,867,058	93.2	26,805,553	1,411,454	5.2	1,500,000	5.6	11,775,297	44.0	1,059,949	3.9	10,674,189	39.9	384,664
1936	207	1,750,000	6.5	88,257	0.3	124,867,122	93.2	26,705,969	1,163,675	4.4	1,500,000	5.6	12,492,489	46.8	1,003,639	3.8	10,588,959	39.8	386,410
1937	211	1,750,000	6.5	88,655	0.3	125,075,917	93.2	26,914,326	1,158,155	4.3	1,100,000	4.1	12,910,430	48.0	969,964	3.6	10,349,859	38.8	383,911
1938	214	1,750,000	6.8	90,218	0.3	123,947,143	93.2	25,745,361	1,255,761	4.9	800,000	3.1	12,007,991	46.8	936,829	3.6	10,402,869	40.0	383,911
1939	209	1,750,000	6.5	86,710	0.3	124,988,301	93.2	26,825,011	1,285,761	4.7	1,000,000	3.7	12,446,508	46.4	891,508	3.3	10,684,878	39.8	379,507
1940	205	1,750,000	6.4	83,145	0.3	125,421,628	93.3	27,254,773	1,401,444	7.1	1,000,000	3.5	11,994,906	44.0	828,829	3.0	10,949,430	40.0	380,163
1941	205	1,750,000	6.2	77,870	0.3	125,421,628	93.3	27,254,773	1,401,444	7.1	1,000,000	3.5	11,994,906	44.0	779,372	2.7	11,325,403	39.8	382,400
1941†	205	1,750,000	6.7	70,608	0.2	128,943,630	94.1	30,804,238	1,373,161	10.3	900,000	2.9	14,459,474	47.0	719,959	2.3	11,169,927	36.3	381,710

• Free of income tax.

† December 31st.

• Includes Treasury Bills.

• Deposits of \$100,000 and over.

DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

AFRICAN BANKS

1	2	3	4		5	6	7	8	
Name of Bank	Date	No. of Branches and Sub-branches	Capital Subscribed	Uncalled Capital		Capital Paid up	Reserve Fund	Un-divided Profits	Notes in Circulation
				Callable	Reserved				
			£	£	£	£	£	£	£
Bank of Br. West Africa, Ltd.	Mar. 31, '42	32	3,000,000	300,000	1,500,000	1,200,000	400,000	85,071	...
Barclays Bank (Dominion, Colonial and Overseas)	Mar. 31, '42	504	6,975,500	2,000,000	3,024,500	4,975,500	2,600,000	...	1,433,888
Standard Bk. of S. Africa, Ltd.	Mar. 31, '42	383	10,000,000	7,500,000	Nil	2,500,000	3,000,000	530,509	273,217
Total		919	19,975,500	9,800,000	4,524,500	8,675,500	6,000,000	615,580	1,707,105

AUSTRALASIAN BANKS

Commonwealth Bank of Australia	June 30, '41	300	20,000,000	Nil	Nil	4,000,000	5,183,714		
Bank of Adelaide	Mar. 30, '42	114	1,250,000	Nil	1,250,000	1,250,000	1,000,000	66,397	6,499
Bank of Australasia	Oct. 13, '41	247	4,500,000	Nil	4,500,000	4,500,000	4,500,000	363,890	2,716
Bank of New South Wales	Sep. 30, '41	860	8,780,000	Nil	8,780,000	8,780,000	6,150,000	361,046	81,125
Bank of New Zealand	Mar. 31, '41	142	6,328,125	Nil	Nil	6,328,125	3,575,000	560,860	627
Commercial Bank of Australia, Ltd.	June 30, '41	530	4,117,350	Nil	Nil	4,117,350	2,250,000	232,803	6,184
Commercial Banking Co. of Sydney, Ltd.	June 30, '41	400	9,478,025	Nil	4,739,013	4,739,012	4,300,000	300,142	13,586
English, Scottish & Australian Bank, Ltd.	June 30, '41	350	5,000,000	2,000,000	Nil	4,872,966	3,340,000	425,581	1,008
National Bank of Australasia, Ltd.	Mar. 31, '42	338	6,800,000	1,800,000	Nil	5,000,000	3,300,000	265,336	47,516
National Bank of New Zealand, Ltd.	Mar. 31, '42	63	6,000,000	4,000,000	6,000,000	2,000,000	1,500,000	160,715	...
Queensland National Bank, Ltd.	June 30, '42	98	1,750,000	Nil	Nil	4,755,496*	860,000	66,347	...
Union Bank of Australia, Ltd. Total (excluding Commonwealth Bank of Australia)	Aug. 30, '41	229	12,000,000	Nil	8,600,000	4,000,000	4,850,000	266,938	7,538
		3,371	66,003,500	7,800,000	33,269,013	50,342,949	35,625,000	5,068,055	166,799

* Includes £3,005,496 Interminable Inscribed deposit stock.

CANADIAN BANKS

Bank of Montreal	Oct. 31, '41	498	7,200,000	Nil	5,400,000	7,200,000	7,800,000	381,174	3,578,170
Bank of Nova Scotia	Dec. 31, '41	301	2,400,000	Nil	1,800,000	2,400,000	4,800,000	325,926	1,257,794
Canadian Bank of Commerce..	Oct. 31, '41	551	6,000,000	Nil	4,500,000	6,000,000	4,000,000	283,470	3,159,824
Dominion Bank	Oct. 31, '41	131	1,400,000	Nil	1,120,000	1,400,000	1,400,000	208,551	837,908
Royal Bank of Canada.....	Nov. 30, '41	696	7,000,000	Nil	5,250,000	7,000,000	4,000,000	791,254	4,465,178
Total		2,177	24,000,000	Nil	18,070,000	24,000,000	22,000,000	1,990,375	13,278,874

(Converted at rate of \$5 to £1.)

INDIAN BANKS

Chartered Bank of India, Australia and China	Dec. 31, '41	42	3,000,000	Nil	3,000,000	3,000,000	3,000,000	385,468	1,684,263
Eastern Bank, Ltd.	Dec. 31, '41	11	2,000,000	Nil	1,000,000	1,000,000	500,000	160,030	...
Mercantile Bk. of India, Ltd.)	Dec. 31, '41	24	750,000	187,500	187,500	1,050,000	1,075,000	213,768	244,865
Do. " B " Shares			750,000	187,500	187,500				
Do. " C " Shares)			1,500,000	...	Nil				
National Bank of India, Ltd.	Dec. 31, '41	29	4,000,000	2,000,000	Nil	2,000,000	2,200,000	524,253	...
Total		106	12,000,000	2,375,000	4,375,000	7,050,000	6,775,000	1,283,519	1,929,128

DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

AFRICAN BANKS

9	10	11	12	13		14	15	16	17	18
Acceptances and Bills for Collection	Miscellaneous Liabilities	Deposits	Total Liabilities and Assets	Cash in Hand and Money at Call and Short Notice		Investments	Bills Discounted or Purchased (when shown separately)	Bills, Loans, and Advances	Premises and Sundries (including Cover for Acceptances)	Name of Bank
£	£	£	£	Cash in Hand, with Banks and in Transit	Money at Call and Short Notice	£	£	£	£	
444,143	98,607	11,141,110	13,368,931	2,573,952	...	6,659,058	954,189	2,524,502	657,230	Bank of British W. Africa.
11,731,898	...	168,122,044	188,863,330	54,521,808	1,550,000	53,608,818	34,743,910	29,722,640	14,716,154	Barclays Bk. (Dom., Col. & Overseas).
13,468,781	...	105,494,024	125,266,531	33,100,567	3,350,000	38,634,317	6,130,430	30,359,364	13,691,853	Standard Bank of S.A., Ltd.
25,644,822	98,607	284,757,178	327,498,792	90,196,327	4,900,000	98,902,193	41,828,529	62,606,506	29,065,237	Total

AUSTRALASIAN BANKS

				Cash & Notes in Hand and at Bankers	Money at Call and Remittances in Transit						Commonwealth
1,333,457	12,520,272	120,621,361	141,658,804	6,689,748	53,999,232	49,640,293	...	29,258,245	2,071,286	Bank of Australia.	
...	103,234	8,678,976	11,105,106	2,601,680	1,146,568	2,219,093	...	4,522,236	615,529	Bank of Adelaide.	
6,384,410	...	46,768,240	62,519,256	7,737,834	...	15,121,197	...	38,396,514	1,263,711	Bk. of Australasia.	
...	3,895,289	131,671,894	150,939,354	18,621,473	...	30,856,095	...	93,414,809	8,046,977	Bk. of N.S. Wales.	
87,340	5,473,634	39,590,874	55,616,460	10,973,646	1,526,041	16,548,995	282,460	24,629,236	1,656,082	Bk. of N. Zealand.	
1,606,203	2,312,570	35,719,726	46,244,836	3,915,973	...	8,690,772	...	28,973,433	4,664,658	Commercial Bank of Australia.	
...	2,031,214	56,530,020	67,913,974	7,100,287	150,000	15,466,951	...	44,010,536	1,186,200	Comm. Bnkg. Co. of Sydney.	
...	2,278,496	40,416,503	51,334,554	6,845,958	...	7,878,030	...	35,788,187	822,379	English, Scottish & Australian Bank.	
...	2,017,820	51,417,271	62,045,943	7,101,594	...	16,792,614	...	36,191,221	1,960,514	National Bank of Australasia.	
...	1,375,815	16,865,305	21,899,855	4,474,671	431,691	5,127,284	...	11,239,887	626,300	National Bank of New Zealand.	
...	4,157	10,024,015	15,710,015	2,554,415	15,347	2,740,206	...	9,770,156	629,891	Queensland Nat. Bank.	
3,952,105	2,292,879	45,075,396	60,444,856	5,533,330	290,000	14,752,672	...	35,299,563	4,569,291	Union Bank of Australia, Ltd.	
12,030,058	21,785,108	482,756,318	605,774,187	77,460,861	3,559,647	136,193,909	282,460	362,235,778	26,041,532	Total (excluding Commonwealth Bk. of Australia).	

† Includes money at call.

CANADIAN BANKS

3,754,486	918,888	185,677,578	209,310,296	37,339,277	4,008,344	99,784,780	...	60,932,705	7,245,190	Bank of Montreal.
6,296,423	242,919	60,775,595	76,078,657	16,088,499	794,051	26,423,243	...	24,738,811	8,034,053	Bk. of Nova Scotia.
5,193,252	...	133,645,050	152,281,596	23,841,325	3,894,515	57,580,173	...	57,483,989	9,481,594	Canadian Bank of Commerce.
465,846	150,325	29,283,305	33,745,935	6,777,876	674,953	8,573,468	...	16,122,906	1,596,732	Dominion Bank.
7,182,617	364,064	191,220,839	215,023,952	46,815,742	4,765,003	84,802,916	...	67,359,432	11,280,859	Royal Bk. Canada.
22,892,624	1,676,196	600,602,367	686,440,436	130,862,719	14,136,866	277,164,580	...	226,637,843	37,638,428	Total.

(Converted at rate of \$5 to £1.)

INDIAN BANKS

2,590,403	2,274,814	77,990,605	90,925,553	14,796,529	...	37,970,325	5,487,520	23,733,339	8,937,840	Chartered Bank of India, Australia and China. Eastern Bank, Ltd. Mercantile Bank of India, Ltd. Do. "B" Shares. Do. "C" Shares. Nat. Bank of India.
426,332	37,121	14,307,099	16,430,582	4,528,055	...	6,349,089	2,544,525	2,233,536	775,377	
1,221,195	43,579	24,783,662	28,632,069	5,934,090	...	9,644,602	5,739,550	5,664,687	1,649,140	
1,099,522	...	39,695,737	45,519,512	10,535,879	...	17,520,749	7,453,085	9,053,410	956,389	
5,337,452	2,355,514	156,777,103	181,507,716	35,794,553	...	71,484,765	21,224,680	40,684,972	12,318,746	
										Total.

BRITISH OVERSEAS BANK, LIMITED

October 31	LIABILITIES			ASSETS									
	Capital and Reserves	Current, Deposit and other Accounts	Acceptances, etc.	Cash in Hand and at Bankers	Money at Call and Short Notice	Balances with Bankers Abroad	Bills Discounted	Government Securities	Investments	Advances, etc.	Owed by Subsidiary Companies	Reserves	
1937	2,250,000	3,840,339	3,089,195	278,043	1,149,195	196,622	138,099	446,345	703,779	3,031,211	55,593	337,338	
1938	2,250,000	2,464,730	1,782,352	84,770	245,687	164,963	144,644	420,391	693,714	2,608,433	125,141	337,346	
1939	2,000,000	1,252,483	543,354	100,850	1,740,000	107,862	...	399,435	131,350	3,330,088	127,172	327,346	
1940	2,000,000	994,360	246,000	32,503	1,570,000	36,709	...	400,000	67,350	3,056,000	118,000	337,346	
1941	2,000,000	946,215	44,351	22,182	1,095,000	63,309	...	391,065	63,946	2,239,000	...	...	

* Customers' accounts in countries where extended credit is in force, £1,025,000; in German occupied territories, £1,128,000; in other countries, £86,000. There are also £1,000,000 of Special Deferred Deposits ranking after all other Deposits and Liabilities.

CENTRAL HANOVER BANK AND TRUST COMPANY

December 31	LIABILITIES			ASSETS									
	Capital and Reserves, etc.	Undivided Profits and Dividend payable	Deposits	Acceptances	Cash and Due from Banks	U.S. Government Securities	Other Securities	Real Estate Mortgage	Stock in Federal Reserve Bank	Loans and Bills	Premises and other Assets		
1937	\$ 85,878,573	\$ 11,526,231	\$ 831,259,130	\$ 6,109,852	\$ 342,480,367	\$ 313,446,253	\$ 31,134,372	\$ 6,989,089	\$ 2,430,000	\$ 212,614,650	\$ 25,379,055	\$ 1,000	\$ 1,000
1938	86,037,329	12,587,029	939,280,374	4,818,285	639,591,439	153,446,069	45,259,609	7,376,603	2,430,000	171,203,070	23,336,227	1,000	1,000
1939	85,241,578	13,795,640	1,106,736,120	6,034,749	627,536,800	333,761,612	50,946,499	7,064,670	2,430,000	165,748,815	24,319,692	1,000	1,000
1940	84,171,014	16,153,689	1,294,307,595	3,426,368	732,639,483	390,224,268	59,833,179	6,295,096	2,430,000	184,878,602	21,758,038	1,000	1,000
1941	84,479,895	18,580,409	1,326,577,459	2,190,663	465,995,659	628,730,617	81,589,883	6,488,222	2,430,000	227,288,808	19,305,236	1,000	1,000
June 30, '42	85,236,290	18,852,359	1,231,547,590	1,481,250	361,252,663	660,455,500	67,952,510	6,367,445	2,430,000	220,128,796	18,530,614	1,000	1,000

CITY BANK FARMERS TRUST COMPANY

December 31	LIABILITIES			ASSETS									
	Capital and Surplus	Undivided Profits	Reserves	Deposits	Cash and Due from Banks and Bankers	Loans and other Secured Advances	U.S. Government Obligations (Direct or Fully Guaranteed)	Other Bonds, Mortgages and Securities	Stock in Federal Reserve Bank	Real Estate	Other Assets		
1937	\$ 20,000,000	\$ 4,120,759	\$ 3,115,261	\$ 73,396,510	\$ 34,183,863	\$ 10,296,214	\$ 31,740,359	\$ 16,828,779	\$ 600,000	\$ 4,278,704	\$ 2,704,611	\$ 1,000	\$ 1,000
1938	20,000,000	4,438,098	3,303,305	80,108,923	39,482,154	12,471,945	33,082,456	15,637,290	600,000	4,669,675	1,906,806	1,000	1,000
1939	20,000,000	4,749,635	3,701,138	79,052,586	45,003,248	11,260,695	28,469,956	13,908,621	600,000	4,965,820	1,695,018	1,000	1,000
1940	20,000,000	5,124,333	1,577,388	90,188,333	46,340,438	12,002,525	27,357,300	14,737,799	600,000	4,273,812	1,578,239	1,000	1,000
1941	20,000,000	5,830,103	1,598,890	113,531,932	63,629,028	7,972,355	45,715,480	17,221,496	600,000	4,032,126	1,790,439	1,000	1,000

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

December 31	LIABILITIES			ASSETS									
	Capital and Reserves, etc.	Deposits	Acceptances	Liability for Acceptances and Foreign Bills	Other Liabilities	Cash and Due from Banks	Securities and Investments	Loans, Discounts and Bankers' Acceptances	Real Estate	Mortgages	Customers' Acceptance Liability	Other Assets	
1937	\$ 250,182,189	\$ 2,069,989,515	\$ 25,707,614	\$ 23,637,678	\$ 5,862,414	\$ 708,039,851	\$ 846,510,578	\$ 728,522,484	\$ 42,662,489	\$ 11,726,121	\$ 23,646,601	\$ 14,271,287	\$ 1,000
1938	253,953,343	2,234,332,922	25,082,029	5,630,250	4,188,572	882,617,333*	917,830,432	638,733,623	41,282,157	11,297,921	23,542,488	7,863,224	1,000
1939	255,906,860	2,803,730,326	17,854,437	1,570,723	4,726,819	1,293,142,975	1,077,275,968	636,176,032	41,433,142	10,425,953	17,688,488	8,146,711	1,000
1940	254,600,204	3,543,337,564	1,230,671	8,380,470	1,672,535,043	1,408,271,722	1,664,189,468	42,672,780	10,379,107	15,987,576	10,367,651	1,000	1,000
1941	260,497,466	3,534,966,617	8,241,999	575,267	7,521,455	1,248,516,344	1,690,897,722	802,221,309	44,618,173	8,729,425	9,865,978	9,865,978	1,000
June 30, '42	261,865,889	3,595,451,030	4,625,177	768,077	6,753,566	1,137,393,127	1,844,057,454	822,753,458	44,128,820	8,043,652	4,041,385	9,039,814	1,000

* Including bullion abroad and in transit.

COMMERCIAL BANK OF THE NEAR EAST, LIMITED

December 31	LIABILITIES			ASSETS									
	Capital and Reserves	Current, Deposit and other Accounts	Bills for Collection	Acceptances, Endorsements, etc.	Cash in Hand and at London Bankers	Money at Call	Remittances in Transit	Balances with Foreign Banks	Bills Discounted	Investments	Advances to Customers, etc.	Furniture and Fittings	
1937	£ 210,000	£ 408,162	£ 122,065	£ 76,688	£ 21,640	£ 80,000	£ 12,654	£ 42,320	£ 88,701	£ 135,908	£ 242,497	£ 1,201	£ 1,000
1938	212,000	395,596	147,360	60,714	30,840	43,000	2,414	41,217	78,412	129,981	280,786	1,268	1,000
1939	207,000	388,535	101,263	135,406	19,199	100,000	325	67,057	45,324	114,248	248,270	1,242	1,000
1940	203,000	360,879	95,809	79,054	41,695	70,000	830	97,485	11,874	97,468	243,463	1,147	1,000
1941	200,000	634,688	106,969	211,366	17,466	125,000	...	145,822	39,049	146,372	360,084	1,089	1,000

GUARANTY TRUST COMPANY OF NEW YORK

December 31	LIABILITIES			ASSETS									
	Capital and Surplus Fund	Undivided Profits	Accrued Interest, Misc. Accounts, etc.	Acceptances	Deposits	Outstanding Cheques	Cash in Hand and with Bankers	U.S. Govt. Securities	Other Securities	Loans and Bills Purchased	Real Estate Bonds and Mortgages	Premises	Accrued Interest and Accounts Receivable
1937	\$ 260,000,000	\$ 11,690,064	\$ 20,422,691	\$ 45,065,771	\$ 1,424,208,361	\$ 25,599,152	\$ 478,270,301	\$ 540,506,068	\$ 77,918,395	\$ 623,244,877	\$ 2,048,627	\$ 12,424,192	\$ 19,594,269
1938	260,000,000	12,808,420	21,374,545	20,989,416	1,597,492,947	22,485,473	788,474,738	486,310,848	77,228,137	528,846,450	2,115,837	12,143,011	18,428,401
1939	260,000,000	14,701,564	18,982,637	14,620,349	2,074,898,693	13,528,652	1,040,901,764	729,600,979	92,027,011	500,360,310	1,803,142	11,754,742	9,054,306
1940	260,000,000	18,946,500	8,905,406	5,961,373	2,389,928,982	33,294,970	1,044,582,221	1,137,212,693	78,226,333	431,135,085	1,759,338	11,258,542	7,468,230
1941	260,000,000	19,470,856	8,874,333	5,473,967	2,242,977,816	16,917,584	883,795,875	1,018,486,210	79,159,391	550,865,729	1,755,325	10,930,820	6,788,221
June 30, '42	260,000,000	19,470,856	11,082,194	4,222,418	2,269,969,921	19,254,842	670,721,572	1,306,319,483	75,468,268	611,072,405	1,790,730	10,767,212	6,210,910

HAMBROS BANK, LIMITED

March 31	LIABILITIES			ASSETS									
	Capital and Reserves	Profit and Loss Account	Current, Deposit and other Accounts	Acceptances	Cash in Hand, at Bankers and at Call	Bills of Exchange	Investments	Loans, Advances and Other Accounts					
1938	£ 2,800,000	£ 168,678	£ 17,224,190	£ 10,804,171	£ 4,983,144	£ 6,625,806	£ 5,310,554	£ 5,281,584	£ 5,111,387	£ 4,139,669	£ 5,582,184	£ 5,361,230	£ 5,361,230
1939	2,800,000	175,645	15,249,762	11,410,437	5,533,998	4,588,001	5,310,554	5,281,584	5,111,387	4,139,669	5,582,184	5,361,230	5,361,230
1940	1,400,000	138,922	10,508,082	3,667,535	3,228,661	2,232,896	3,016,053	2,881,584	2,727,387	2,494,533	2,501,121	2,501,121	2,501,121
1941	1,400,000	111,854	9,547,841	707,465	2,505,656	1,582,347	3,501,021	3,381,584	3,139,669	2,501,121	2,501,121	2,501,121	2,501,121
1942	1,400,000	110,460	12,062,953	1,695,889	2,954,285	1,582,347	5,528,932	5,281,584	5,111,387	4,139,669	5,582,184	5,361,230	5,361,230

IMPERIAL BANK OF INDIA

Year Ended Dec. 31	LIABILITIES					ASSETS									
	Capital and Reserves	Per cent.	Deposits	Per cent.	Sundries	Per cent.	Total Liabilities or Assets	Cash	Per cent.	Investments	Per cent.	Loans	Per cent.	Cash Credits	Per cent.
1937	Rs. 11,12,50,000	12.0	Rs. 81,08,06,708	87.2	Rs. 72,58,880	0.8	Rs. 92,93,15,589	Rs. 10,84,27,353	11.7	Rs. 47,63,70,810	51.3	Rs. 6,50,58,416	7.0	Rs. 16,86,98,971	18.2
1938	11,17,50,000	11.8	81,50,94,831	87.4	71,17,249	0.8	93,39,62,089	5,63,96,317	6.4	43,73,52,876	46.8	10,98,28,318	11.8	21,76,40,680	23.5
1939	11,20,50,000	11.2	87,84,16,475	88.1	71,96,228	0.7	99,78,62,703	9,75,63,094	9.8	38,03,51,262	38.1	10,70,25,876	10.7	30,98,11,529	31.1
1940	11,25,00,000	10.4	96,03,17,462	85.7	76,27,050	0.7	108,04,45,289	23,42,06,379	21.7	57,34,128	44.9	7,34,78,540	6.8	21,14,33,703	19.6
1941	11,25,00,000	9.3	108,91,89,667	90.0	83,68,552	0.7	121,55,219	11,83,66,550	9.8	64,39,64,492	53.2	11,60,72,520	9.6	20,13,64,235	16.6

THE IMPERIAL BANK OF IRAN

LIABILITIES						ASSETS				
March 20	Capital and Reserves	Current and Fixed Deposits, etc.	Bills Payable, Provision for Contingencies, Endorsements, etc.	Acceptances, etc.	Profit and Loss Account	Cash in Hand, at Bankers, at Call, and Short Notice, and Bullion	British Government and Other Securities	Discounts, Loans, Advances, etc.	Bills Receivable	Premises
	£	£	£		£				£	£
1938	1,750,000	3,740,552	1,605,191	627,361	99,008	866,211	3,056,518	2,720,367	550,655	1,000
1939	1,750,000	3,356,403	1,659,603	853,552	116,930	1,070,647	3,167,940	2,129,528	512,847	1,000
1940	1,760,000	4,544,830	1,738,014	1,149,689	115,367	928,267	2,749,548	3,420,788	1,058,608	1,000
1941	1,760,000	4,448,313	1,757,198	629,012	122,807	926,667	2,729,728	3,612,074	818,848	1,000
1942	1,800,000	9,507,949	1,812,389	2,490,313	125,635	3,782,045	3,926,357	4,642,246	894,325	1,000

